AVOCET MINING PLC

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NEWS RELEASE

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Preliminary audited results for the year ended 31 March 2002

HIGHLIGHTS

- **Gold production up 8% to a record 107,340 ozs.; gold revenues up 17%.**
- **Developed gold resources increased by 43% to 581,500 ozs.**
- **Positive results for gold project at newly acquired Indonesian property.**
- **New focus on gold, £11.9 million write down of tungsten business.**
- **Operating profit before tungsten provision up 22%.**

	Year to 31 March 1999	Year to 31 March 2000	Year to 31 March 2001	**Year to 31 March 2002**
	£'000	£'000	£'000	**£'000**
Turnover	16,877	22,341	24,770	**25,465**
Operating cash flow	(5,447)	4,718	3,339	**3,989**
Pre-tax profit before exceptional items	(10,828)	802	195	**941**
Pre-tax profit after exceptional items	(21,642)	(452)	195	**(10,933)**
Gold produced (ozs.)	53,190	89,830	99,750	**107,340**
Tungsten produced (mtus)	140,000	113,000	91,300	**89,900**

For further information:

Avocet Mining PLC
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CHAIRMAN'S STATEMENT

Avocet's fiscal year ending 31 March 2002 was a period of contrasts and a watershed for the Company's business. The year started with gold prices close to a twenty-two year low while tungsten concentrate prices had surged to a fifteen year high. By the year-end, the fortunes of these metals had reversed with a sustained recovery in gold prices and a halving of tungsten prices. Meanwhile, the Company achieved a new record for gold production, acquired a highly prospective gold property in Indonesia and reduced its planned tungsten production.

At the time of its acceptance to the Official List of the London Stock Exchange in 1996, the Company had built a significant investment in the tungsten mining and processing industry in the expectation of a long-term improvement in a market that had long been depressed by artificial market forces. However, as the awaited market rallies have occurred and then disappeared, the Company has had to reduce its tungsten business to the extent that it now accounts for less than 15% of the Company's turnover. The past year's performance of the tungsten market was a final disappointment, and, as we recently announced, the Company has decided to write down its remaining tungsten assets and focus on building its gold business. To that end, the Company will shortly transfer its share listing to London's Alternative Investment Market (AIM). AIM has matured in recent years to become a market conducive to the growth of mining companies of Avocet's size.

Financial Results

The Group's net loss for the year was £10.9 million, or 16.63p per share, compared with the prior year's maiden net profit of £26,000 (0.04p per share). Included in the year's loss was an exceptional provision of £11.9 million against the tangible fixed assets of the Company's remaining tungsten operation, the Panasqueira mine owned by its Portuguese subsidiary, Beralt Tin & Wolfram. This provision effectively reduces the net worth of the Company's tungsten assets to zero. Without the provision, the Company's financial results were an improvement over the prior year owing largely to a better than expected performance by the Company's Penjom gold mine in Malaysia.

Turnover increased slightly to £25.5 million. Record gold sales of 107,050 ozs. combined with a 4% increase in average realised gold prices to US$291/oz., inclusive of hedging gains, lifted gold revenues by 17%. Although tungsten sales benefited from a 32% improvement in realised prices, lower sales volumes caused total tungsten revenues to fall by 40%.

Gross profit improved by 7% to £2.8 million, mostly on the strength of increased gold sales while the tungsten business was almost breakeven. The cost of gold sold increased by US$4/oz. to $250/oz. owing to higher depreciation. Excluding the provision for Beralt, operating profit increased by 22% as the Company further reduced its overheads.

A fall in interest rates during the year and a reduction in net borrowings decreased the Group's net interest expense by £0.4 million. A £0.5 million increase in capital expenditures included improvements at Penjom and the acquisition of a gold property in Indonesia where the Company's North Lanut gold project is undergoing feasibility studies.

At the year-end, the Group's liquidity position was significantly improved. Net current assets increased from £2.7 million to £5.4 million, and cash balances were up by £0.7 million to £2.3 million. The Company also rescheduled the majority of its debt, a £8.1 million loan, due this year with principal repayments now due over a two-year period commencing 30 June 2003.

Gold

Market Review

Spot gold prices rose from US$256/oz. at the beginning of the fiscal year to above US$300/oz. by the year-end. This was the market's most encouraging rally of the past few years. However, the year's average spot price of US$278/oz. was little changed from the prior year and this permitted the Group to earn a US$13/oz. premium on its hedging positions. The Company currently has 80,000 ozs. of gold, or the equivalent of less than 10% of its developed and undeveloped gold resources, hedged on a spot deferred basis. This allows the Company to sell its gold at the greater of the spot price or the contracted price until contracted deliveries are met. The current contracted price is US$296/oz.

Penjom

Gold production from Penjom was 107,340 ozs., an 8% increase over the prior year's production. The principal reasons were better than expected ore grades and process recovery rates which, together, increased recovered ore grades by 16%. Offsetting this improvement was a lower plant throughput owing to the treatment of harder ores. Unit cash operating costs were unchanged at US$225/oz. of which the largest portion was a mining cost of US$142/oz. resulting from the removal of waste rock from the open pit at 2.4 times the average rate scheduled for Penjom's remaining life.

In February 2002 the Company announced a new mineral resource estimate for Penjom that has been independently audited to internationally recognised standards. However, production results to date indicate that this resource is underestimating gold content by 25%. Furthermore, approximately 100,000 ozs. of gold were added to Penjom's open pit resource, and cut-off grades were lowered in line with higher gold prices. Therefore, the Company has increased its estimate of the balance of Penjom's mineable resource at 31 March 2002 by 43% to 581,500 ozs.

North Lanut

In March 2002 the Company announced the acquisition of a 460 square mile exploration property in North Sulawesi, Indonesia, from Newmont Mining Corporation. This property is now 80% owned by Avocet through an Indonesian company with a local partner holding the remaining 20%. From the thirty-seven gold occurrences identified by Newmont, the Company is focused on developing a gold mine based on two adjacent deposits in an area known as North Lanut where exploration drilling by Newmont identified a mineral inventory of 800,000 ozs. Feasibility studies are ongoing to validate a mineable resource of at least 400,000 ozs. amenable to open pit mining and heap leach processing methods with low capital and operating costs.

Gold Exploration

The Company conducted only limited gold exploration during the year. However, in light of Avocet's new emphasis on gold, it has enhanced its exploration capabilities with the recent hiring of an experienced chief geologist who was previously Newmont's exploration manager for S.E. Asia. Under his management, the Company has allocated £1 million for this year's exploration programme with the objective of adding resources at Penjom and North Lanut, and evaluating other prospects on the Company's exploration properties in Malaysia and Indonesia.

Tungsten

Market Review

For most of the first half of the year, the London Metal Bulletin mid price for tungsten concentrates was US$70.50 per metric tonne unit (mtu), which was the first time in many years that prices had achieved a level which the Company believed fairly reflected the industry's cost of production. Unfortunately, this price level was short-lived and prices plummeted to US$35/mtu by the year-end. Although part of the cause was reduced demand brought about by the events of September 11, the price decline was exacerbated by market forces that have typically plagued the industry. These included continuing stockpile releases by the US Government and excess production from the world's dominant producer, China. However, Beralt was able to take advantage of the higher price level by entering into sales contracts that guarantee minimum prices above US$60/mtu through December 2003.

Beralt

Market conditions caused Beralt to cancel a planned expansion of production, which instead was reduced to the level of its new sales contracts. Therefore, production of 89,900 mtus of tungsten concentrate was slightly below the prior year's production rate. Total cash costs of production rose by 12% because of a decline in ore grades caused by a lack of production areas within the Panasqueira mine. This was remedied by the year-end with the completion of a development programme that delineated sufficient mineral resources for the mine to regain its historic 4-5 year production horizon.

Bishop

The closure of the Bishop tungsten facilities in California has been completed with approval from the authorities for all areas except the mill site. The directors still expect that funds held by Bishop will be sufficient to satisfy any future environmental requirements, including long-term monitoring. However, the directors consider it prudent at this time to retain the reclamation provision of £1.2 million in the Group's accounts.

Outlook

The Indonesian acquisition, the move to AIM, and the write down of the tungsten business are the first steps towards the Company's new objective of reaching at least 300,000 ozs. of annual gold production within the next three years. As part of this new focus, the Company will unveil a new corporate identity supported by a new website at the time of the publication of its annual report and accounts in August.

Penjom's first quarter production is estimated at 27,460 ozs. of gold and we expect that the mine will produce in excess of 100,000 ozs. this year. Unit costs of production at Penjom should fall slightly as the mine's rate of waste rock removal starts a declining trend. Therefore, cash generation, even at currently hedged gold prices, is expected to be adequate to fund the Company's expenses for the year. These include its expanded gold exploration programme, completion of gold mine feasibility studies in Indonesia, and a build up of cash balances to meet debt repayments scheduled for next year.

Based on feasibility results to date, we believe that our North Lanut project in Indonesia may support an operation producing a minimum of 50,000 ozs. of gold per year at a cash cost below US$150/oz. A decision to proceed with the project will be made before the end of 2002. If positive, the new mine will be a profitable foundation for expanding production and resources in an area that is highly prospective.

A number of other opportunities to add to the Company's gold mining and exploration holdings in Asia are at the early stages of negotiation.

We do not expect Beralt to be a drain on the Company's financial resources while it maintains its current sales contracts. In the meantime, a satisfactory outcome to the divestment of the Company's tungsten assets will be pursued, with discussions currently ongoing with a number of interested parties.

The Company recognises that its most valuable assets are its employees to whom, on behalf of the Board and the Company's shareholders, I give my sincere thanks for the successes of the past year, and my best wishes for years of success to come.

Nigel McNair Scott

17 July 2002

The full report and accounts for the year ended 31 March 2002 will be mailed to shareholders during August 2002.

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CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2002

	Note	2002 £000	2001 restated £000
Turnover			
Continuing operations		**25,465**	23,661
Discontinued operations		**-**	1,109
		25,465	24,770
Cost of sales		**(22,667)**	(22,160)
Gross profit		**2,798**	2,610
Provision for impairment of tangible fixed assets	3	**(11,874)**	-
Other administrative expenses		**(1,188)**	(1,292)
Total administrative expenses		**(13,062)**	(1,292)
Operating (loss)/profit			
Continuing operations		**(10,264)**	1,318
Discontinued operations		**-**	-
Operating (loss)/profit		**(10,264)**	1,318
Net interest and similar charges		**(669)**	(1,123)
(Loss)/profit on ordinary activities before taxation		**(10,933)**	195
Tax on (loss)/profit on ordinary activities		**(9)**	(184)
(Loss)/profit on ordinary activities after taxation		**(10,942)**	11
Equity minority interest		**15**	15
(Loss)/earnings for the financial year retained		**(10,927)**	26
(Loss)/earnings per share	2	**(16.63p)**	0.04p
Earnings per share before non-recurring exceptional item	2	**1.44p**	0.04p

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CONSOLIDATED BALANCE SHEET
as at 31 March 2002

	2002	2001 restated
	£000	£000
Fixed assets		
Intangible assets	**811**	538
Tangible assets	**12,337**	26,816
	13,148	27,354
Current assets		
Stocks	**5,496**	4,694
Debtors	**1,002**	1,334
Debtors due after more than one year	**2,833**	2,440
Cash at bank and in hand	**2,267**	1,596
	11,598	10,064
Creditors: amounts falling due in less than one year	**(6,239)**	(7,339)
Net current assets	**5,359**	2,725
Total assets less current liabilities	**18,507**	30,079
Creditors: amounts falling due in more than one year	**(9,982)**	(9,699)
Provisions for liabilities and charges	**(2,591)**	(3,375)
	5,934	17,005
Capital and reserves		
Called up share capital	**16,424**	16,424
Share premium account	**23,600**	23,600
Other reserves	**12,590**	12,590
Profit and loss account	**(46,526)**	(35,460)
Equity shareholders' funds	**6,088**	17,154
Equity minority interests	**(154)**	(149)
	5,934	17,005

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 March 2002

	2002	2001 restated
	£000	£000
Statement of total recognised gains and losses		
(Loss)/profit for financial year	**(10,927)**	26
Exchange translation adjustments	**(139)**	686
Total recognised gains and losses	**(11,066)**	712
Prior year adjustment	**(991)**	
Total recognised gains and losses since the last financial statements	**(12,057)**	
Reconciliation of movements in group shareholders' funds		
Total recognised gains and losses	**(11,066)**	712
Net change in shareholders' funds	**(11,066)**	712
Opening shareholders' funds (originally £18,154 before deducting the prior year adjustment £991)	**17,154**	16,442
Closing shareholders' funds	**6,088**	17,154

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CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2002

	2002 £000	2001 £000
Net cash inflow from operating activities	**3,989**	3,339
Returns on investment and servicing of finance		
Interest received	**81**	162
Interest paid	**(728)**	(1,136)
Net cash outflow from returns on investment and servicing of finance	**(647)**	(974)
Taxation	**(73)**	(37)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(1,699)**	(1,376)
Acquisition of subsidiary	**(164)**	-
Deferred exploration costs	**(71)**	(20)
Net cash outflow from capital expenditure and financial investment	**(1,934)**	(1,396)
Financing		
Repayments of borrowings	**(408)**	(2,308)
Capital repayments on finance leases	**(256)**	(268)
Net cash outflow from financing	**(664)**	(2,576)
Increase/(decrease) in cash	**671**	(1,644)

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Notes to the Financial Statements

1. Financial Reporting Standards and Accounting Policies
The financial information complies with the relevant financial reporting standards and the accounting policies are applied on a basis consistent with those applied in the annual financial statements and in the prior year, except as stated below:
FRS 19 "Deferred Taxation" affects the way the Group accounts for deferred taxation and has been adopted for the first time in 2002. FRS 19 requires the full, rather than the partial provision of future corporation tax liabilities deferred by timing differences. This has resulted in a prior year adjustment that has decreased shareholders funds at 1 April 2000 by £891,000 and to increase the charge to taxation and reduce the profit after taxation for the year ended 31 March 2001 by £100,000. There is no effect on the current year charge, but the net assets of the Group have decreased by £991,000 as at 31 March 2002.

2. (Loss)/earnings per ordinary share
The calculation is based on losses of £10,927,000 (2001:£26,000 restated profit) and on a weighted average of 65,696,530 shares in issue (2001: 65,696,530). The earnings per share before the non-recurring exceptional item is based on profits of £947,000 (2001:£26,000 restated profit) and on a weighted average of 65,696,530 shares in issue (2001: 65,696,530).

3. Provision for impairment of tangible fixed assets
Included are amounts for impairment of tangible fixed assets of the Group's tungsten assets in Portugal resulting from impairment tests carried out at the balance sheet date.

4. Financial Information
The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The summarised balance sheet at 31 March 2002 and the summarised profit and loss account, summarised cash flow statement and associated notes for the year then ended have been extracted from the Group's 2002 statutory financial statements (which have not yet been filed with Companies House) upon which the auditors opinion is unqualified, and does not include any statement under Section 237 of the Companies Act 1985.