



## News Release

For Immediate Release

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### Q1 GOLD PRODUCTION

### IN LINE WITH GUIDANCE

Avocet Mining PLC (“Avocet” or “the Company”) announces its gold production for the quarter ended 30 June 2009, a summary of which can be found below:

- Gold production of 27,563 ounces 1% up on previous quarter (Q4 FY2009<sup>1</sup> - 27,374 ounces)
- Total cash costs before adjustment for deferred stripping of US\$597/oz, 2% lower than previous quarter (Q4 FY2009 - US\$608/oz)
- Realised gold price of US\$925/oz (Q4 FY2009 - US\$916/oz)
- Higher grades achieved at Penjom in Malaysia but recovery affected by carbonaceous ores
- New resource model for Penjom to be completed in Q2 FY2010 to support a targeted production increase in H2 FY2010
- Production from North Lanut in Indonesia increased 5%, reflecting benefit of new leach pad and management improvements
- First gold pour at Inata gold project in Burkina Faso scheduled for Q3 FY2010

### **Q1 gold production statement**

Avocet announces first quarter FY2010 gold production of 27,563 ounces from the Company’s operations at Penjom in Malaysia and North Lanut in Indonesia. All gold sales were into the spot market during the quarter with an average realised price of US\$925/oz.

Total gold production was 1% above the previous quarter of 27,374 ounces, which in turn was 2% above Q3 FY2009. Gold production was in line with the guidance given at the time of the Company’s preliminary results on 24 June.

Before adjustment for deferred stripping at Penjom, the Company’s total cash cost was US\$597/oz, a slight improvement compared with US\$608/oz in Q4 FY2009. As expected, a greater proportion of ore mined at Penjom in Q1 FY2010 resulted in a significantly higher reversal of deferred stripping costs which meant that the Company’s unit cost after deferred stripping was US\$771/oz compared with US\$624/oz in the previous quarter. Importantly, the accounting adjustment for deferred stripping does not affect the Company’s cash flow.

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<sup>1</sup> FY2009 denotes financial year ended 31 March 2009

Appendix 1 sets out key operating statistics including production and cash costs by quarter for this year and the prior year for both Penjom and North Lanut. Appendix 2 sets out Penjom's waste and ore volumes and mining cost per tonne for each year, as well as the calculation of stripping costs deferred in the first quarter of FY2010.

### **Penjom, Malaysia**

Gold production in the first quarter of FY2010 at Penjom of 15,664 ounces was 3% below the previous quarter. As planned, ore tonnes mined increased significantly as stripping over the last two years has allowed full access to new mining areas including Manik and Janik to the south of the main Kalampong pit. As a result the stripping ratio in the quarter fell to 13.1 compared with 29.8 and 24.2 in the years ended 31 March 2008 and 31 March 2009. Ore grades treated were slightly higher than the previous quarter but the ore milled had a higher proportion of active carbon as mining continued in the carbonaceous Penjom shear zone and insufficient low carbon material was available on the ore stockpile. Recovery therefore decreased from 85% to 80%.

Penjom's resource development drilling programme of approximately 80,000 metres is progressing well, with the completion of approximately 45,000 metres since November 2008 from four rigs active in and around the pit. As well as exploring the possibility of new resource areas beyond and at depth below the known orebodies, the programme has a primary focus on improving the reliability of the resource model. A revised resource model is expected to be completed in Q2 FY2010 which management is confident will give more predictability of grades mined in the second half of the year and management remain confident that gold production will increase in the second half.

Total costs in Q1 FY2010 at US\$10.5m were 6% below the Q4 FY2009 total of US\$11.1m, with reductions in all areas. Mining costs of US\$1.30/tonne were the lowest since Q1 FY2009 while processing costs of US\$14.85/tonne were the lowest since Q4 FY2008. However, higher tonnes mined, combined with the impact on gold produced of lower grades and recoveries meant that on a per ounce basis costs were US\$669 before adjustment for deferred stripping. As the adjustment for deferred stripping is an accounting adjustment only and has no cash flow impact, this cost of US\$669/oz is reflected in the Group's cash flow. The decrease in stripping ratio to 13.1 meant that the adjustment for deferred stripping added US\$307/oz, for a total cost of US\$976/oz, as will be reported in the profit and loss statement.

### **North Lanut, Indonesia**

North Lanut's trend of quarterly production and cash cost improvements continued in Q1 FY2010. Gold production at 11,899 ounces was 5% up on the previous quarter and was the highest for more than a year. The improvement reflected higher grades and an increase in tonnes processed as the operation benefited from the new leach pad (HLP3A) which was completed in March 2009. Improved leach pad management continued and recovery was well above the average achieved in full year FY2009, although timing of cell irrigation meant that recovery for the quarter was lower than in the previous quarter. The full benefit of higher tonnes irrigated since March will therefore be seen in Q2 FY2010.

Cash costs of US\$501/oz were broadly in line with Q4 FY2009 of US\$488/oz and lower than the previous three quarters. The slight increase compared with Q4 FY2009 reflected a full quarter of production at the new Rasik and Effendi pits in addition to the Riska pit.

## **Inata gold project update, Burkina Faso**

Following the termination in June of the contract with the engineering firm previously managing the project's construction, a new team has been at site since late June. During this time the new team has been assessing the status of each part of the project and reassessing the project's work schedule. In certain areas, changes will be made to the design in order to ensure a more sustainable ramp up and to avoid operational or maintenance problems once the operation reaches steady state production. Although important for future operations, these changes are considered minor in the context of the construction project and the first gold pour is expected in the October to December 2009 period. Consistent with the update provided in the Company's announcement of 2 June 2009, it is not expected that this slight delay will have a material effect on the total estimated costs for the Inata project construction, although this will remain under review by the new construction management team.

Jonathan Henry, Chief Executive Officer, commented:

*"The continuing improvement at North Lanut reflects ongoing work by the mine's management team to optimise leach practices and to fully exploit the new leach pad completed in March. Elsewhere, management is focused on the delivery of a timely and successful commissioning of Inata and higher gold production at Penjom. The efforts of Penjom's management team are expected to yield higher gold production in the second half of the year, following completion of a more reliable resource model in the coming months."*

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## **Notes to Editors**

Avocet Mining PLC ("Avocet" or "the Company") is a mining company listed on the AIM market of the London Stock Exchange (Ticker: AVM). The Company's principal activities are gold mining and exploration in Malaysia (as 100 per cent owner of the Penjom gold mine, the country's largest gold producer), Indonesia (as 80 per cent owner of the North Lanut gold mine and Bakan project in North Sulawesi) and Burkina Faso (as 90 per cent owner of the Inata gold project currently in the latter stages of construction). The Company has a number of other advanced exploration projects in South East Asia and West Africa.

### *Background to operations*

Penjom is Malaysia's largest gold producer and was developed by Avocet after applying modern technology to grass roots exploration in an area of historic alluvial mining. The mine is located in Pahang State, approximately 120 km north of the country's capital, Kuala Lumpur. The mine was commissioned in December 1996 with reserves of 223,000 ounces. Successful resource development means Penjom has produced over one million ounces of gold to date and still has nearly one million ounces of resource. Over the last two years Penjom has expanded its mining and plant capacity with plant throughput increasing from 570,000 to over

700,000 tonnes per annum to compensate for decreasing mined grades. Avocet was able to overcome initial problems of carbonaceous ore at Penjom by developing unique processing systems including complex gravity circuits and resin-in-leach ("RIL") technology. These processes have potential applications at other carbonaceous orebodies.

North Lanut in North Sulawesi, Indonesia, was developed by Avocet from the exploration stage and has produced over 220,000 ounces since it was commissioned in 2004. Avocet purchased an 80 per cent interest in PT Avocet Bolaang Mongondow ("PT ABM"), an Indonesian company holding a 6th generation Contract of Work ("CoW"), from Newmont Mining Corporation in 2002. North Lanut is located within the CoW, which includes exploration and mining rights over approximately 50,000 hectares in an area highly prospective for gold. An Indonesian company, PT Lebong Tandai, owns the remaining 20 per cent. The Company has a number of other advanced development and exploration projects in Indonesia.

The Inata gold project in Burkina Faso, West Africa, was purchased by Avocet as a result of the acquisition of Wega Mining ASA ("Wega Mining") which was completed in late June 2009. Inata is currently under construction, with first gold production expected in late 2009, and full steady state production in FY2011. Inata is expected to produce greater than 120,000 ounces of gold per annum over an initial 7 year mine life. Other assets acquired from Wega Mining include exploration licences in Burkina Faso, Guinea and Mali (the most advanced being the Koulekoun gold exploration project in Guinea with a resource of 667,000 ounces), a 58.1 per cent interest in TSX Venture Exchange listed Merit Mining Corp and a 35.6 per cent interest in base metals company, Metallica Mining AS.

## Appendix 1 – Key operating statistics by quarter

	FY2009					FY2010
	Q1	Q2	Q3	Q4	Total	Q1
<b>Penjom</b>						
Ore mined (tonnes)	179,034	86,081	167,640	265,944	698,700	372,145
Waste mined (tonnes)	4,146,508	4,113,678	4,123,096	4,556,004	16,939,285	4,396,358
Ore and waste mined (tonnes)	4,325,542	4,199,759	4,290,736	4,821,948	17,637,985	4,768,503
Ore processed (tonnes)	190,516	179,059	168,884	180,480	718,939	179,146
Average ore head grade (g/t)	3.44	3.53	3.66	3.27	3.47	3.38
Process recovery rate	89%	88%	82%	85%	86%	80%
<b>Gold Produced (oz)</b>	<b>18,729</b>	<b>17,793</b>	<b>16,303</b>	<b>16,077</b>	<b>68,902</b>	<b>15,664</b>
<b>Cash costs (US\$/oz)</b>						
Mining	329	313	351	409	349	395
Processing	155	168	174	175	167	170
Royalties and overheads	92	95	82	107	94	104
<b>Total before deferred stripping - cash flow basis</b>	<b>576</b>	<b>576</b>	<b>607</b>	<b>691</b>	<b>610</b>	<b>669</b>
Deferred stripping adjustment	(95)	(156)	(94)	28	(82)	307
<b>Total after deferred stripping - P&amp;L basis</b>	<b>481</b>	<b>420</b>	<b>513</b>	<b>718</b>	<b>528</b>	<b>976</b>
Mining cost per tonne (US\$)	1.25	1.33	1.33	1.36	1.36	1.30
<b>North Lanut</b>						
Ore mined (tonnes)	383,787	357,627	257,940	310,628	1,309,982	300,837
Waste mined (tonnes)	220,408	305,008	371,166	698,570	1,595,152	457,033
Ore and waste mined (tonnes)	604,195	662,635	629,106	1,009,198	2,905,134	757,870
Ore processed (tonnes)	380,181	437,917	257,308	262,810	1,338,216	319,399
Average ore head grade (g/t)	1.96	2.30	2.24	1.86	2.10	2.04
Process recovery rate	39%	31%	56%	72%	45%	57%
<b>Gold Produced (oz)</b>	<b>9,293</b>	<b>9,963</b>	<b>10,463</b>	<b>11,297</b>	<b>41,017</b>	<b>11,899</b>
<b>Cash costs (US\$/oz)</b>						
Mining	251	295	279	263	272	275
Processing	198	229	173	112	175	125
Royalties and overheads	152	137	165	113	141	101
	<b>601</b>	<b>661</b>	<b>617</b>	<b>488</b>	<b>588</b>	<b>501</b>
<b>Total</b>						
<b>Gold Produced (oz)</b>	<b>28,022</b>	<b>27,756</b>	<b>26,766</b>	<b>27,374</b>	<b>109,919</b>	<b>27,563</b>
<b>Cash costs (US\$/oz)</b>						
Mining	303	307	323	349	320	343
Processing	169	190	174	149	170	151
Royalties and overheads	112	110	114	110	112	103
<b>Total before deferred stripping - cash flow basis</b>	<b>584</b>	<b>607</b>	<b>611</b>	<b>608</b>	<b>602</b>	<b>597</b>
Deferred stripping adjustment	(63)	(101)	(57)	16	(51)	174
<b>Total after deferred stripping - P&amp;L basis</b>	<b>521</b>	<b>506</b>	<b>554</b>	<b>624</b>	<b>551</b>	<b>771</b>

## Appendix 2 – Penjom waste and ore volumes

	Tonnes mined			Bench Cubic Metres mined <sup>(1)</sup>			
	Q1 FY2010	Q1 FY2009	Variance	Q1 FY2010	Q1 FY2009	Variance	
Ore	372,145	179,034	108%	137,831	68,364	102%	
Waste	4,396,358	4,146,508	6%	1,807,411	1,678,834	8%	
Total	4,768,503	4,325,542	10%	1,945,242	1,747,198	11%	
Mining cost per tonne/BCM	US\$	1.30	1.25	4%	3.18	3.53	-10%
Stripping ratio <sup>(1) (2)</sup>	x			13.1	24.6		
Life of mine stripping ratio	x			24.0	20.2		
(Lower)/excess stripping ratio	x			(10.9)	4.4		
(Lower)/excess waste stripping <sup>(3)</sup>	Million BCM			(1.5)	0.3		
Stripping cost reversed/(deferred) <sup>(4)</sup>	US\$m			4.8	(1.8)		
	US\$oz			307	(95)		

(1) Bench cubic metre (BCM) is a measure of volumes mined and is equal to the weight of rock (measured in tonnes) divided by its specific gravity. BCM is used in mine planning where volumes are the key driver and it is necessary to avoid distortion due to differing specific gravities.

(2) Ratio of waste to ore.

(3) Represents the amount of waste BCM mined in the period in excess of the life of mine stripping ratio. A negative figure indicates the extent to which stripping is below the life of mine average stripping ratio. Calculated as: excess/(lower) stripping ratio multiplied by ore BCM mined.

(4) Negative figure represents cost of waste mining carried out as part of the long term pit expansion, rather than associated with the ore mined in the period. A positive figure denotes reversal of deferred stripping costs as a result of a stripping ratio lower than the life of mine ratio.