



## News Release

For Immediate Release

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### LAUNCH OF RECOMMENDED SHARE FOR SHARE OFFER FOR WEGA MINING ASA

Further to the announcement on 14 April 2009 of its proposed recommended share for share offer for the entire issued share capital of Wega Mining ASA (Oslo Axess: WEMI), Avocet Mining PLC (AIM: AVM) announces that the Offer is formally launched today through the distribution of the Offer Document to Wega Mining Shareholders.

Wega Mining is an Oslo based international mining company focused on exploring, developing and operating gold deposits. Wega Mining's main asset is the Inata Project in northern Burkina Faso, West Africa, which is currently under construction, with first gold production expected in Q3 2009, and full steady state production in FY2011. The Inata Project is expected to produce greater than 120,000 ounces of gold per annum over an initial 7 year mine life. Wega Mining's other assets include 27 exploration Licences in Burkina Faso, Guinea and Mali, including the Koulekoun gold exploration project in Guinea which has a NI 43-101 compliant gold Mineral Resource of 666,500 ounces, a 58.1% interest in TSX Venture Exchange listed Merit Mining and a 35.6% interest in base metals company, Metallica Mining AS.

Avocet Mining has offered all Wega Mining Shareholders (other than Avocet Mining and those in certain jurisdictions to whom the Offer cannot lawfully be made) 0.23 Ordinary Shares for each Wega Mining Share. This represents a value of NOK 1.71 per Wega Mining Share based on the closing price of Avocet Mining's shares on AIM on 15 May 2009 of GBP 0.75, and with a NOK/GBP exchange rate of 9.901, and values the aggregate of the issued Wega Mining Shares at approximately USD 86.5 million excluding the shares currently held by Avocet Mining. This corresponds to a 16.2% premium to the Wega Mining closing price on the Oslo Axess on 15 May 2009, the last practicable date prior to the date of the Offer Document.

Under the rules of the Oslo Stock Exchange the Offer must be kept open for a minimum of 14 days from the date of posting. Following the posting of the Offer Document today, the Offer Period will close on 2 June 2009 unless extended by Avocet Mining. Settlement of the consideration will be made available to Wega Mining Shareholders in accordance with the terms of the Offer Document.

Avocet Mining has received irrevocable undertakings from certain Wega Mining Shareholders representing 237,504,206 Wega Mining Shares to accept the Offer, which are not capable of revocation if a competing bid for Wega Mining emerges. These irrevocable undertakings, when taken together with the Wega Mining Shares now held by Avocet Mining following the equity subscription announced on 14 April 2009, represent in aggregate approximately 76.6% of Wega Mining's issued share capital.

The Offer is subject to the following closing conditions, each and all of which are capable of waiver at the sole discretion of Avocet Mining:

- A minimum acceptance condition of that number of Wega Mining Shares which, together with any Wega Mining Shares directly or indirectly owned by Avocet Mining at closing, represents more than 90% of Wega Mining's then issued share capital;
- That the unanimous recommendation to Wega Mining Shareholders to accept the Offer made by Wega Mining's Board has not been withdrawn or modified;
- That there has been no material adverse change including, *inter alia*, in respect of the terms of or withdrawal of, Wega Mining's loan facility agreement with Macquarie Bank dated July 2008 regarding the Inata Project; and

- That the business of Wega Mining has in all material respects been conducted in the ordinary course of business.

### Inata Project management update

Avocet Mining and Wega Mining anticipate that the Offer will be successful. For the purposes of forward planning, therefore, Avocet Mining and Wega Mining have agreed on certain arrangements for the interim management of the Inata Project, both to accelerate its construction and to achieve a successful and timely commissioning and ramp up to full gold production.

These arrangements include the involvement of Avocet Mining representatives to supplement the existing Wega Mining team during the Offer Period. In particular, a specialist construction manager who has extensive experience of delivering projects in West Africa and in other regions, including the original construction of the Penjom plant and its expansion in 2008, which was completed on schedule and within budget, is now on site at the Inata Project. Further integration planning is also in progress with the objective of a smooth transition of ownership of Wega Mining assets without adverse impact on Avocet Mining's existing operations. The integration planning will continue during the Offer Period, including site visits to Burkina Faso by senior management from both companies in May and early June.

Commenting on the launch of the Offer for Wega Mining, Jonathan Henry, CEO of Avocet Mining, stated:

*"We are delighted to launch the Offer process and, in anticipation of the Offer's success, are excited to be working with the Wega Mining team at the Inata Project. The Offer not only delivers certainty for the future of Wega Mining to its shareholders but gives them a premium to recent prices. Avocet Mining now owns nearly 16% of Wega Mining directly and a further 61% of current Wega Mining Shareholders have irrevocably committed to accept the Offer and to participate in the future of a company which will have significant profitable production and resources, as well as balance sheet strength. We look forward to achieving the 90% acceptance level and to Wega Mining Shareholders joining us in our strategic goal of creating a new "mid-tier", profitable gold company with significant upside for future growth."*

***This summary announcement should be read in conjunction with, and is qualified in its entirety by, the further details of the Offer as set out in the full announcement below.***

*For the definitions of capitalised terms used throughout this announcement, see Appendix I to the full announcement below headed "Definitions"*

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For further information please contact:

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# Full Announcement

*In this full announcement, "Avocet Mining" and "the Company" refer to Avocet Mining PLC and its subsidiaries, and "Wega Mining" refers to Wega Mining and its subsidiaries unless the context otherwise requires. For the definitions of capitalised terms used throughout this full announcement, see Appendix I headed "Definitions"*

## LAUNCH OF RECOMMENDED SHARE FOR SHARE OFFER FOR WEGA MINING ASA

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Wega Mining is an Oslo based international mining company focused on exploring, developing and operating gold deposits. Wega Mining's main asset is the Inata Project in northern Burkina Faso, West Africa, which is currently under construction, with first gold production expected in Q3 2009, and full steady state production in FY2011. The Inata Project is expected to produce greater than 120,000 ounces of gold per annum over an initial 7 year mine life. Wega Mining's other assets include 27 exploration Licences in Burkina Faso, Guinea and Mali, including the Koulekoun gold exploration project in Guinea which has a NI 43-101 compliant gold Resource of 666,500 ounces, a 58.1% interest in TSX Venture Exchange listed Merit Mining and a 35.6% interest in base metals company, Metallica Mining AS.

### The Offer

Avocet Mining has offered all Wega Mining Shareholders (other than Avocet Mining and those in certain jurisdictions to whom the Offer cannot lawfully be made) 0.23 Ordinary Shares for each Wega Mining Share which they hold. This represents a value of NOK 1.71 per Wega Mining Share based on the closing price of Avocet Mining's shares on AIM on 15 May 2009 of GBP 0.75, and with a NOK/GBP exchange rate of 9.901 and values the aggregate of the issued Wega Mining Shares at approximately USD 86.5 million excluding the shares currently held by Avocet Mining. This corresponds to a 16.2% premium to the Wega Mining closing price on Oslo Axess on 15 May 2009, the last practicable date prior to the date of the Offer Document.

As at the date of this announcement, Avocet Mining holds 61,409,091 shares in Wega Mining and holds the right to convert the Convertible Loan for up to a further 307,045,455 shares in Wega Mining, based on the exchange rate as of 8 of April 2009, being the last practicable date before entering into the Convertible Loan Agreement.

Assuming 100% acceptance of the Offer, Wega Mining Shareholders, excluding Avocet Mining, will own approximately 38.4% of the Ordinary Shares in issue post transaction (excluding treasury shares).

The Offer is not being made in any jurisdiction where the making of the Offer or Acceptance would be a violation of the laws of such jurisdiction, as described in the section entitled "Offer Restrictions" below.

### Background to the Offer

Through the acquisition of Wega Mining, Avocet Mining will become a "mid-tier" gold producer with an annual production expected to approach 300,000 ounces in 2011. The Offer therefore delivers key elements of Avocet Mining's acquisition growth strategy as adopted by the Company's management in 2007. In particular, it allows Avocet Mining to increase its gold production at a time when the gold price remains strong, and in the Inata Project, it provides a medium life asset with significant exploration upside in a highly prospective region.

Avocet Mining's operations are currently exclusively focused in South East Asia, where it operates the Penjom gold mine in Malaysia and the North Lanut gold mine in Indonesia, both of which were constructed and commissioned by Avocet Mining. Subsequent to USD 30 million funding already provided to Wega Mining, Avocet Mining has current cash resources of approximately USD 40 million and no debt. Avocet Mining has a track record of building and developing new mines, and will be able to apply strong technical skills and add value to the Inata Project. In addition, the acquisition of 27 Licences in Burkina Faso, Mali and Guinea will enhance Avocet Mining's existing portfolio of exploration projects in Indonesia, Malaysia and the Philippines. Avocet Mining's strong balance sheet and experienced exploration team will allow for a restart of exploration activities in West Africa to create further potential upside value for its shareholders.

The acquisition of Wega Mining will create a company with three gold mines including the Inata Project expected to be in operation from Q3 2009. The management of both Wega Mining and Avocet Mining believe that steady state production of greater than 120,000 ounces per annum from the Inata Project is achievable following its commissioning, contributing to total production forecast to be approximately 280,000 ounces in the year to 31 March 2011. Avocet Mining is targeting production for the Enlarged Group in excess of 300,000 ounces in the year to 31 March 2013. The acquisition will immediately increase Avocet Mining's attributable reserves by approximately 146% to 1.4 million ounces and attributable resources, including reserves, by approximately 91% to 4.5 million ounces.

### ***Conditions to the Offer***

The acquisition of Wega Mining's outstanding shares in accordance with the Offer is conditional upon the following (if not waived in whole or in part by Avocet Mining to the extent permitted by law):

- (a) **Minimum Acceptance.** That the number of Wega Mining Shares which, together with any Wega Mining Shares directly or indirectly held by Avocet Mining, represents more than 90% of the total outstanding share capital and voting rights of Wega Mining, shall have been validly tendered prior to the expiration of the Offer Period (including any extensions of the Offer Period).
- (b) **Recommendation.** That the unanimous recommendation of the Offer made by Wega Mining's Board of Directors has not been withdrawn or modified by Wega Mining during the Offer Period.
- (c) **No Material Adverse Change.** That there has not taken place any material adverse change event on or before all of the closing conditions have been satisfied or waived by Avocet Mining. A "material adverse change event" for this purpose is: (i) expropriation by the government of Burkina Faso of Wega Mining's shares in SMB, (ii) annulment of the Mining Convention to which SMB is a party, or (iii) material adverse change or withdrawal of the Inata Project Facility.
- (d) **Conduct of Business.** That the business of Wega Mining and its subsidiaries, taken as a whole, in the period from the announcement of the Offer and until the settlement of the Offer, has in all material respects been conducted in the ordinary course of business being exploration and mining and in all material respects in accordance with applicable laws, regulations and decisions of any governmental body which are significant for the operations of Wega Mining, and that there have not been made any changes in the share capital of Wega Mining or its subsidiaries (except as contemplated by the Transaction Agreement, the Convertible Loan Agreement or in connection with any exercises of issued and outstanding options in Wega Mining in accordance with their terms), issuance of rights which entitles holders to demand new Wega Mining Shares or similar securities, payment of or decision to pay dividends or other distributions, proposals to shareholders for merger or de-merger, or any other change of corporate structure.

Each and all of the above conditions can be waived at the sole discretion of Avocet Mining. If not previously met or waived, Avocet Mining will decide whether to waive any of the conditions no later than 31 July 2009.

### ***Offer Period***

The Offer Period commences on 19 May 2009 and expires at 17:30 (Norwegian time) on 2 June 2009. Avocet Mining reserves the right to extend the Offer Period by up to two weeks, or in compliance with applicable law and regulations, to extend the Offer Period by more than two weeks, one or more times.

### ***Wega Mining***

#### ***Inata Project management update***

Avocet Mining and Wega Mining anticipate that the Offer will be successful. For the purposes of forward planning, therefore, Avocet Mining and Wega Mining have agreed on certain arrangements for the interim management of the Inata Project, both to accelerate its construction and to achieve a successful and timely commissioning and ramp up to full gold production.

These arrangements include the involvement of Avocet Mining representatives to supplement the existing Wega Mining team during the Offer Period. In particular, a specialist construction manager who has extensive experience of delivering projects in West Africa and in other regions, including the original construction of the Penjom plant and its expansion in 2008, completed on schedule and within budget, is now on site at the Inata Project. Further integration planning is also in progress with the objective of a smooth transition of ownership

of Wega Mining's assets without adverse impact on Avocet Mining's existing operations. The integration planning will continue during the Offer Period, including site visits to Burkina Faso by senior management from both companies in May and early June 2009.

### ***Plans for further operations of Wega Mining***

The Company has a clear strategy of growth underpinned by operational experience and capability at its existing mines and future projects in order to maximise their combined value for shareholders. The Company's goal is to develop from its current production level of approximately 110,000 ounces in the year ended 31 March 2009 to a "mid-tier" producer of 500,000 ounces per annum or greater over the next five years, through both internal growth and growth by acquisition. The acquisition of Wega Mining fulfils part of this growth strategy with the addition of the Inata Project which is due to produce in excess of 120,000 ounces per annum over an expected seven year life of mine. It is the Company's current intention to bring the Inata Project into production as expeditiously and efficiently as possible, with first gold pour expected in Q3 2009. Once the Inata Project commences production, local and regional exploration activities will focus on developing further gold resources and reserves that may be treated at the Inata Project plant. In addition, the Company is reviewing Wega Mining's other exploration properties in Guinea, Mali and Burkina Faso with a view to recommencing exploration activities once the Offer completes.

### ***Further funding requirements***

During January and February 2009, the Board of Directors and management of Wega Mining, together with Macquarie Bank, commissioned a third party review of the construction schedule of the Inata Project. The principal focus of the review was to identify any aspects material to the time and cost-to-complete construction of the Inata Project ahead of the commencement of production. The review report concluded that a potential delay for the commencement of production was up to three months from June 2009 to September 2009. The review report was in conflict with previous reports from the EPCM contractor and its subcontractors. According to the review report, capital expenditure would increase and additional pre-production expenses would be incurred prior to positive cash flow.

On 23 February 2009 Wega Mining received a notification from Macquarie Bank that various events of default had occurred as defined in the Inata Project Facility. The notification was based on the findings and conclusions in the third party review report described above.

Wega Mining announced on 2 March 2009 that it had identified a delay to completion of the Inata Project, and estimated that an additional USD 20 - 25 million would be required to complete and commission the Inata Project, and finance working capital in the period to first gold production. This was based on the third party review.

In an effort to ensure compliance with the Inata Project Facility, on 18 March 2009 Wega Mining entered into an additional forward gold sales agreement with Macquarie Bank in which 70,000 ounces was agreed to be sold forward at a price of USD 935 per ounce. Including this additional agreement, a total of 350,000 ounces of gold has now been sold forward at an average price of USD 958 per ounce. The forward sales contracts have a flexible structure with certain minimum deliverables each quarter which can be increased pending the actual production level in the period.

### ***Recommended share for share offer for Wega Mining***

On 14 April 2009, Avocet Mining and Wega Mining jointly announced that Avocet Mining intended to launch a voluntary offer for Wega Mining and to provide USD 30 million of funding, USD 5 million of which would be immediately available via the Private Placement and USD 25 million via the Convertible Loan, approved by Wega Mining Shareholders at the general meeting on 29 April 2009. At that time, Wega Mining estimated that there was a funding gap for the completion of the Inata Project of approximately USD 40 million assuming a drawdown of the remaining USD 9 million available under the Inata Project Facility. Wega Mining is currently in default of the terms of the Inata Project Facility and as a result, the remaining USD 9 million of the Inata Project Facility cannot currently be drawn by Wega Mining. Agreement has been reached with Macquarie Bank, subject to certain undertakings being fulfilled which include Avocet's acquisition of Wega Mining being completed, as to how the Inata Project Facility may be brought back into compliance, at which point the remaining USD 9 million would be available for draw down under certain conditions.

In order to provide Wega Mining with immediate access to necessary funding for the further development of the Inata Project, Wega Mining resolved on 14 April 2009 to issue to Avocet Mining, and Avocet Mining

subscribed for, 61,409,091 ordinary shares at a price of NOK 0.55 per ordinary share representing gross proceeds of approximately USD 5 million.

Following the approval of Wega Mining Shareholders in an extraordinary general meeting on 29 April 2009 and satisfaction of other conditions precedent, as announced on 6 May 2009, Avocet Mining provided additional funding of USD 25 million for the Inata Project under the Convertible Loan Agreement.

The principal amount under the Convertible Loan may be converted, at the sole discretion of Avocet Mining, in whole or in part, into ordinary shares in Wega Mining at a conversion price of NOK 0.55 per Wega Mining share. If the amount under the Convertible Loan is converted in full, Avocet Mining will acquire up to 307,045,455 new Wega Mining Shares in addition to the 61,409,091 Wega Mining Shares already held by Avocet Mining, representing in aggregate, approximately 52.8% of the enlarged share capital.

The right to conversion of the Convertible Loan shall expire if either:

- (i) Avocet Mining withdraws the Offer and such withdrawal is based on reasons other than it being evident that the closing conditions for the Offer (other than the minimum acceptance level) will not be satisfied; or
- (ii) the Offer lapses as a consequence of the minimum acceptance level of more than 90% not being reached, where the acceptance level would have been reached had Avocet Mining exercised its conversion right in respect of the Convertible Loan in full or in part during the Offer Period (as extended at Avocet Mining's option).

Subsequent to USD 30 million funding already provided to Wega Mining, Avocet Mining currently has cash resources of approximately USD 40 million and is confident that it has sufficient cash resources and lines of debt finance to bring the Inata Project into production.

## **Acceptance of the Offer**

### ***Statement from the Board of Directors of Wega Mining***

Under section 6-16 of the Norwegian Securities Trading Act, the Board of Directors of Wega Mining has issued a statement concerning the Offer, including a unanimous recommendation to Wega Mining Shareholders to accept the Offer and information on the employees' views and other factors of significance for assessing whether the Offer should be accepted by the Wega Mining Shareholders.

### ***Irrevocable undertakings***

Avocet Mining has received irrevocable undertakings from certain Wega Mining Shareholders to accept the Offer which, in addition to the approximately 15.7% of Wega Mining now held by Avocet Mining following the Private Placement, represent in aggregate approximately 76.6% of Wega Mining's enlarged issued share capital. These irrevocable undertakings are not capable of revocation if a competing bid for Wega Mining emerges.

### ***Settlement***

Settlement of the share consideration to which any accepting Wega Mining Shareholder is entitled under the Offer will be effected within six Business Days of the Offer being declared wholly unconditional, by way of Avocet Mining issuing the New Avocet Mining Shares.

Fractions of New Avocet Mining Shares will not be allotted and issued to Wega Mining Shareholders pursuant to the Offer, nor will they be aggregated and sold in the market.

### ***AIM listing***

An application will be made to admit the New Avocet Mining Shares to trading on AIM. It is expected that admission will take place and that dealings in New Avocet Mining Shares will commence no more than six Business Days after the Offer is declared wholly unconditional.

## Timetable

An indicative timetable of, among other things, the expected commencement of dealings in New Avocet Mining Shares on AIM is set out below:

<b>Event</b>	<b>Date</b>
Offer Period	19 May – 2 June 2009 at 17:30 Norwegian time
Offer is declared wholly unconditional	(D)
Issue and allotment of New Avocet Mining Shares	(D + 2)
Application to AIM for New Avocet Mining Shares to be admitted to trading	(D + 2)
Allocation of New Avocet Mining Shares into the CSN or CREST	(D + 6)
New Avocet Mining Shares admitted to trading on AIM and become tradable	(D + 6)

D = Business Days

Should the Offer Period be extended, the timetable will be changed accordingly. Each of the times and dates in the above table are subject to change at the discretion of Avocet Mining and the Receiving Agent.

## Costs

Avocet Mining will pay costs directly in connection with Acceptance of the Offer and completion of the transfer of the Wega Mining Shares to Avocet Mining.

The total costs relating to this transaction incurred by both Wega Mining and Avocet Mining are not expected to exceed USD 4.5 million.

## Share trading post completion of the Offer

### ***Compulsory Acquisition of Wega Mining Shares***

If Avocet Mining, as a result of the Offer or otherwise, becomes the holder of more than 90% of the Wega Mining Shares, it may make a compulsory acquisition of the remaining shares in Wega Mining within four weeks after the completion of the Offer, for a cash consideration backed by a bank guarantee from a Norwegian financial institution in respect of the settlement of the acquisition price in accordance with the Norwegian Securities Trading Act section 6-10(7).

At this time it is Avocet Mining's intention to make a compulsory acquisition of the remaining shares in Wega Mining upon obtaining at least 90% of the shares in Wega Mining, pursuant to the provisions of the Norwegian Public Companies Act or the Norwegian Securities Trading Act (as applicable).

### ***De-listing of the Wega Mining Shares***

In the event that the Offer is completed, Avocet Mining intends to propose to an extraordinary general meeting of Wega Mining Shareholders that an application be made to Oslo Børs to de-list the Wega Mining Shares from Oslo Axess.

### ***Orderly market agreement***

Datum AS, Wega Mining's largest shareholder which will hold approximately 12% of Avocet Mining's share capital following the Offer (excluding treasury shares and assuming 100% acceptances of the Offer), has entered into an orderly market arrangement with J.P. Morgan Cazenove and Avocet Mining for a period of six months from the date that the Offer is declared unconditional in all respects.

## Information on Avocet Mining

### ***Capitalisation and indebtedness***

As of the date of this announcement, the Company has no long-term debt. It should be noted however that on completion of the proposed transaction, Avocet Mining will assume the loan arrangements with Macquarie Bank through its ownership of Wega Mining relating to the Inata Project Facility, under which approximately USD 56million has been drawn down by Wega Mining.

## Share capital and major shareholders

As of 7 May 2009, Avocet Mining had a total of approximately 1,097 shareholders. To the Company's knowledge, the shareholders with an interest disclosable under the AIM Rules for Companies of over 3% in the share capital of the Company are listed in the table below:

<b>Investor:</b>	<b>Shares held:</b>	<b>Ownership:</b>
Elliot Management	31 773 701	26.2%
J.P. Morgan Asset Management	11 471 079	9.5%
Artemis Investment Management	10 812 978	8.9%
BlackRock Investment Management	9 039 629	7.5%
NG McNair Scott	6 133 452	5.1%
Invesco Perpetual	5 878 952	4.6%
<b>Sum 20 largest shareholders</b>	<b>95 511 181</b>	<b>78.8%</b>
Other	25 655 349	21.2%
<b>Total number of shares (excl. treasury shares)</b>	<b>121 166 530</b>	<b>100.0 %</b>

## Risk factors

The acquisition of Wega Mining may bring additional risks to Avocet Mining's business which could affect some or all of the Enlarged Group's activities and which may make an investment in the Company one of higher risk. The actual results of the Company following completion of the Offer could differ materially from those anticipated as a consequence of many factors, which are described in more detail in Appendix II.

## Offer Restrictions

The Offer Document has been prepared in accordance with the requirements of section 6 of the Norwegian Securities Trading Act of 2007 and contains the same information as required by section 7-13 of the Norwegian Securities Trading Act. A prospectus has not been prepared in connection with the Offer, in accordance with the exemption from the obligation to prepare a prospectus set out in section 7-4(6) of the Norwegian Securities Trading Act.

The Offer Document has been reviewed and approved by Oslo Børs in accordance with section 6-14 of the Norwegian Securities Trading Act.

The presentation of the Offer to the Wega Mining Shareholders resident in countries other than Norway may be affected by the laws of other relevant jurisdictions and shall not be deemed to be an offer in any jurisdiction in which it is unlawful to make such offer under the laws of any relevant jurisdiction or any governmental approval is required or any additional documents must be issued, including but not limited to the Restricted Jurisdictions.

The Offer is not being made and will not be made, directly or indirectly, in or into the Restricted Jurisdictions. This announcement, the Offer Document, and any and all materials related thereto, should not be sent or otherwise distributed in or into the Restricted Jurisdictions, whether by use of mail or by any means or instrumentality of the Restricted Jurisdictions' commerce (including, but without limitation, the mail, facsimile transmission, telex, telephone and the Internet) or any facility of a Restricted Jurisdiction national securities exchange, and the Offer cannot be accepted by any such use, means or instrumentality, in or from within the Restricted Jurisdictions. Accordingly, copies of this Offer Document and any related materials are not being, and must not be, sent or otherwise distributed in or into or from the Restricted Jurisdictions or, in their capacities as such, to custodians, trustees or nominees holding shares of the Company for Restricted Jurisdictions persons, and persons receiving any such documents (including custodians, nominees and trustees) must not distribute or send them in, into or from the Restricted Jurisdictions. Any purported acceptance of the Offer resulting directly or indirectly from a violation of these restrictions may be invalid. No shares of the Company are being solicited from a resident of the Restricted Jurisdictions and, if sent in response by a resident of the Restricted Jurisdictions, will not be accepted.

In the UK, the Offer Document is being distributed only to, and the Offer is directed only at, persons who are both qualified investors within the meaning of section 86(1)(a) of the UK Financial Services and Markets Act 2000 and have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being

referred to as "relevant persons"). Any investment or investment activity to which this document relates is available only to, and will be engaged in only with, relevant persons.

## Important Information

*This announcement does not constitute an offer for sale or an invitation to subscribe for, or the solicitation of an offer to buy or subscribe for, shares in Avocet Mining or Wega Mining in any jurisdiction where such an offer or solicitation is unlawful. Overseas shareholders in Wega Mining and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this announcement to a jurisdiction outside the UK should seek appropriate advice before taking any action.*

*This announcement contains forward-looking statements, which are based on Avocet Mining's and Wega Mining's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. These forward-looking statements are subject to risk factors which are described in Appendix II to this announcement. Each forward-looking statement speaks only as of the date of the particular statement. Except as required by the Market Abuse Rules, the AIM Rules for Companies, the London Stock Exchange or by law, the Company and Wega Mining disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's or Wega Mining's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.*

*The information in this announcement regarding Avocet Mining has been provided by Avocet Mining. The Managers make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this announcement is, or shall be relied upon as, a promise or representation by the Managers.*

*The information contained in this announcement with respect to Wega Mining is, or consists of, extracts from, or summaries of, publicly available information. None of Avocet Mining or the Managers or any of their respective affiliates, nor any other person, accept any responsibility for the correctness or completeness of the announcement in terms of the information on Wega Mining or for the contents and distribution of this announcement other than as set out above.*

*No person has been authorised to give any information or make any representation on behalf of Avocet Mining not contained in this announcement and, if given or made, such information or representation must not be relied upon as having been authorised by Avocet Mining or provided or made by or on behalf of Avocet Mining.*

*The delivery of this announcement shall not under any circumstances create any implication that there has been no change in the affairs of Avocet Mining or Wega Mining since the date hereof or that the information in this announcement or in the documents referred to herein is correct as of any time subsequent to the dates hereof or thereof. Any new material information and any material inaccuracy in this announcement or Offer Document that might have an effect on the assessment of the New Avocet Mining Shares which arises after the publication of this announcement and before the expiry of the Offer Period, will be published and announced without undue delay.*

*Ambrian Partners (which is regulated in the UK by the Financial Services Authority) is acting exclusively for Avocet Mining as financial adviser, nominated adviser and broker and no one else (including the recipients of this announcement) in connection with the arrangements described in this announcement and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Ambrian Partners or for advising any other person in connection with the arrangements described in this announcement. Ambrian Partners makes no representation, express or implied, with respect to the accuracy or completeness of any information contained in this announcement and accepts no responsibility for, nor does it authorise, the contents of, or the issue of this announcement, or any other statement made or purported to be made by the Company, or on its behalf, in connection with the Company or any of the other arrangements described in this announcement and accordingly disclaims all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have in respect of this announcement or any other statement.*

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## Appendix I - Definitions

When used in this announcement, the following terms shall have the meanings set out below, unless the context otherwise requires. Words importing the plural shall be construed to include the singular and vice versa.

<b>Acceptance</b>	Acceptance of the Offer by a Wega Mining Shareholder
<b>Acceptor</b>	A Wega Mining Shareholder having accepted the Offer
<b>AIM</b>	The AIM market of the London Stock Exchange
<b>Ambrian Partners</b>	Ambrian Partners Limited, acting as Manager for the Offer
<b>Avocet Mining</b>	The Offeror, Avocet Mining PLC, a public limited liability company incorporated under the laws of England and Wales, and with registered office in London
<b>Business Day</b>	Any day on which commercial banks are open for business in Oslo
<b>Company</b>	Avocet Mining PLC and/or Avocet Mining PLC and its subsidiaries
<b>Convertible Loan</b>	The convertible loan of USD 25 million from Avocet Mining to Wega Mining, resolved on by the general meeting of Wega Mining on 29 April 2009
<b>Convertible Loan Agreement</b>	The agreement entered into on 9 April 2009 and resolved on by the extraordinary general meeting of Wega Mining on 29 April 2009 regarding the Convertible Loan of USD 25 million from Avocet Mining to Wega Mining
<b>CREST</b>	An international real-time share settlement system. Uniquely, it provides settlement services for UK, Irish and international securities and government bonds. It settles large volumes of transactions at low cost and in multiple currencies
<b>CSN</b>	Corporate Sponsored Nominee, a nominee account into which the New Avocet Mining Shares will be placed on behalf of the Acceptors
<b>Enlarged Group</b>	Avocet Mining, as enlarged by the acquisition of Wega Mining and its subsidiaries
<b>EPCM</b>	Engineering, Procurement and Construction Management
<b>First Securities</b>	First Securities AS, acting as Manager and Receiving Agent in the Offer
<b>GBP</b>	Pound sterling, the lawful currency of the UK
<b>Guinea</b>	Republic of Guinea
<b>Inata Project</b>	Wega Mining's main asset; the development of the Inata Project in Burkina Faso
<b>Inata Project Facility</b>	Wega Mining's loan facility agreement with Macquarie Bank dated 4 July 2008 regarding the Inata Project
<b>Indonesia</b>	Republic of Indonesia
<b>J.P. Morgan Cazenove</b>	J.P. Morgan Cazenove Limited, acting as Manager for the Offer
<b>JORC</b>	The Joint Ore Reserves Committee of The Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
<b>Licence</b>	Any exploration and mining pre-claim, claim, licence, permit or concession
<b>Macquarie Bank</b>	Macquarie Bank Limited
<b>Mali</b>	Republic of Mali
<b>Managers</b>	First Securities, Ambrian Partners and J.P. Morgan Cazenove
<b>Merit Mining</b>	Merit Mining Corp.
<b>Mineral resources</b>	A concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge
<b>Mining Convention</b>	The mining agreement between the government of Burkina Faso and the holder of an exploitation permit which governs the relationship between the two parties
<b>New Avocet Mining Shares</b>	The Ordinary Shares to be issued as consideration for the Offer
<b>New Avocet Mining Shareholders</b>	Holders of New Avocet Mining Shares
<b>NI 43-101</b>	Canadian National Instrument 43-101, a mineral resource classification scheme used for the public disclosure of information relating to mineral properties
<b>NOK</b>	Norwegian Kroner, the lawful currency of Norway
<b>Norwegian Public Companies Act</b>	The Norwegian Act relating to Public Limited Liability Companies of 13 June 1997 no. 45
<b>Norwegian Securities Trading Act</b>	The Norwegian Securities Trading Act of 29 June 2007 no. 75 ("Verdipapirhandeloven")
<b>Offer</b>	The offer to acquire all outstanding shares in Wega Mining on the terms outlined in the

	Offer Document and summarised in this announcement
<b>Offer Document</b>	This combined offer document and information memorandum, serving the purpose of being an Offer to acquire all outstanding Wega Mining Shares not already held by the Offeror
<b>Offer Period</b>	The period from and including 19 May 2009 to 17:30 (Norway time) on 2 June 2009 (or such date and time to which the Offeror shall have extended the period) during which the Offer can be accepted
<b>Offer Price</b>	The ratio of New Avocet Mining Shares offered to Wega Mining Shareholders, as detailed in the Offer Document
<b>Offer Restrictions</b>	The offer restrictions as outlined in the "Offer Restrictions" in this announcement
<b>Offeror</b>	Avocet Mining PLC
<b>Ordinary Shares</b>	ordinary shares of GBP 0.05 each in the capital of Avocet Mining
<b>Ore Reserves</b>	The economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined
<b>Oslo Axess</b>	A fully regulated market under the control of Oslo Børs for Norwegian listed equities
<b>Oslo Børs</b>	Oslo Børs ASA (Oslo Stock Exchange)
<b>Philippines</b>	Republic of the Philippines
<b>Private Placement</b>	The private placement of 61,409,091 ordinary shares in Wega Mining towards Avocet Mining resolved on 14 April 2009
<b>Receiving Agent</b>	First Securites AS
<b>Resolute</b>	Resolute (West Africa) Limited, a Jersey-registered company wholly owned by Wega Mining
<b>Restricted Jurisdictions</b>	the United States, Canada, Australia, Japan or the Cayman Islands and any other jurisdictions where it will be unlawful to make the Offer unless any additional documents are issued
<b>Settlement Date</b>	The date when settlement of the Offer takes place, expected to be on or about six Business Days after the Offer being declared unconditional, however 14 days after the expiry of the Offer Period at the latest. If the Offer Period is extended, the Settlement Date will be postponed correspondingly.
<b>SMB</b>	Société des Mines de Belahouro S.A.
<b>Transaction Agreement</b>	The agreement in respect of the combination of Avocet Mining and Wega Mining (the Enlarged Group) to be implemented through a share exchange offer to be made by Avocet Mining
<b>UK</b>	United Kingdom of Great Britain and Northern Ireland
<b>United States</b>	The United States of America
<b>USD</b>	United States Dollar, the lawful currency of the United States of America
<b>VPS</b>	The Norwegian Central Securities Depository ("Verdipapirsentralen").
<b>Wega Mining</b>	Wega Mining ASA, a public limited liability company incorporated under the laws of Norway with registration no. 989 698 176
<b>Wega Mining Shareholder</b>	A holder of Wega Mining Shares
<b>Wega Mining Share</b>	A share in Wega Mining, listed on Oslo Axess with ticker code "WEMI", and registered in VPS with ISIN NO 001 0324585

## Appendix II - Risk factors

The acquisition of Wega Mining may bring additional risks to the Avocet Mining business which could affect some or all of the Enlarged Group's activities and which may make an investment in the Company one of higher risk.

If any of the following risks actually materialise, the Enlarged Group's business, financial position and operating results could be materially and adversely affected. The risks described below are not exhaustive as additional risks not presently known to the Company, or which the Company currently deems immaterial, may also impair its business operations and adversely affect its share price.

Such information is presented as of the date hereof and is subject to change, completion or amendment without notice.

### Risks related to an investment in the Enlarged Group

#### *Operational risks*

##### **Exploration, development and operating risk**

The Enlarged Group's existing activities are directed towards mining operations, the development of mineral deposits and exploration for additional mineral deposits. Mining operations generally involve a high degree of risk.

The Enlarged Group's mining operations in various countries are subject to all the hazards and risks normally encountered in open pit mining operations; the Enlarged Group may also develop underground mines in future which would be subject to all the hazards and risks normally encountered in underground mining operations. These risks could adversely affect the development or continuation of mining operations. Such risks include pit slope failure, adverse weather conditions, flooding and other risks involved in the drilling and removal of material, the processing and storage of material and the closure of operations at the end of their economic lives. The actual mined grades and tonnages of the ore may vary significantly from the resource model and mine plan. Additionally, the metallurgical characteristics of orebodies may vary contrary to those anticipated and processing plant ore throughput and metal recoveries may be below expectations, resulting in lower than anticipated metal production. There is no certainty that any portion of the resources will be converted to mineable reserves. Although precautions to minimise risk are and will be taken, any of these factors could result in damage to or destruction of mines and other producing facilities, damage to life or property, environmental damage and possible legal liability.

The exploration for, and development of, mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral resources, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Enlarged Group will result in profitable commercial mining operations.

Whether a mineral deposit will become or remain commercially viable depends on a number of factors. These include the particular attributes of the deposit, such as size, grade and proximity to infrastructure, commodity prices which can fluctuate significantly, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but a combination of these factors may result in the Enlarged Group not receiving an adequate return on invested capital, or projects not being developed, or operations becoming unprofitable.

A number of the Enlarged Group's projects are at an early stage of development. There is no guarantee that expenditures made by the Enlarged Group or drilling results will result in subsequent development into profitable commercial mining operations. Lack of availability of drilling rigs could result in increased expenditures and/or project delays.

## **Mineral and metals prices**

The Company is currently focused on gold mining, and the profitability and cash flow of Avocet Mining's operations are dependent upon the market price of gold and other precious minerals and metals that are produced at its gold mines. These prices have fluctuated widely in recent years. The spot price of gold and many other metals is determined by commodity exchanges and is therefore outside the Company's control. The prices of gold and other commodities can be affected by numerous factors including economic and political conditions, inflation, levels of supply and demand, currency exchange fluctuations, interest rates, global or regional consumption patterns, and the availability of alternative mineral sources. The effect of these factors on the price of precious and base minerals and metals, and therefore the future economic viability of any of the Company's current mines and exploration projects, cannot be accurately predicted.

Should the Enlarged Group acquire or develop operations focused primarily on mining other metals, the profitability and cash flow of Enlarged Group's operations will be dependent on the prices of those other metals in addition to the gold and by-product metals currently produced.

## **Hedging risk**

On 19 March 2009 Wega Mining entered into hedging arrangements whereby 70,000 ounces were forward sold at a price of USD 935/oz. Including this latter arrangement, a total of 350,000 ounces of gold have been forward sold for physical delivery between September 2009 and June 2014 at a weighted average price of USD 958/oz.

As part of a strategy of commodity price risk management, or as required in relation to financing arrangements, the Company has periodically undertaken commodity hedging. As of the date hereof, the Company is not party to any hedging agreements. There is a risk that when entering into hedging positions, the realised commodity prices and cash flow could be materially different from the spot price and unhedged cash flow.

## **Permits and licences**

The Enlarged Group holds a variety of exploration and mining pre-claims, claims, licences, permits and concessions in several countries. Some of these Licences are subject to certain conditions.

In Indonesia a number of the Company's Licences are held by third parties with whom the Company has legally binding agreements to act as principal contractor on the Licences in order to derive its economic interest. Implementation regulations have yet to be issued in respect of certain recent changes to the mining law in Indonesia and uncertainty therefore exists as to how these Licences will be transferred or amended to be consistent with the new law. These regulations will require the Company to make amendments to the mechanism by which these Licences are held and administered. There can be no guarantee on how the implementation regulations will be fulfilled or whether all necessary permits will be transferred.

## **Risk associated with judgment, estimation and reporting of resources and reserves**

There are considerable uncertainties in estimating the size and value of Mineral Resources and Ore Reserves. The Enlarged Group may report its mineral resources and ore reserves in accordance with the JORC Code or NI 43-101. Under the requirements of these reporting standards, judgements about Mineral Resources are made by competent persons in respect of the technical and economic factors likely to influence the prospect of economic extraction, including the approximate mining parameters. Also as required by JORC and NI 43-101, appropriate assessments and studies are carried out in determining Ore Reserves, including consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. The evaluation of these factors may later prove to be inaccurate, and reported Mineral Resources and Ore Reserves may therefore be adjusted downward or upward.

## **Uninsured losses**

The Enlarged Group's business is subject to a number of risks and hazards which could have a material and adverse effect on the Enlarged Group's business, operating results or financial condition, including the exploration, development and operating risks set out above. Although Avocet Mining and Wega Mining maintain insurance to protect against certain risks in such amounts as they consider appropriate, these insurance arrangements will not cover all the potential risks associated with the Enlarged Group's operations.

## **Competition**

The mining industry is a global business with producers in many different countries. There is strong competition for the discovery and acquisition of properties considered to have commercial potential. The Enlarged Group will compete with other mining companies, many of which have greater financial resources than the Enlarged Group, for the acquisition of properties, leases and other interests as well as for the recruitment and retention of skilled personnel. The Enlarged Group operates in relatively remote areas, and these locations may negatively affect its ability to attract the necessary management resources. Such factors may result in the Enlarged Group being unable to secure new exploration areas or recruit and retain staff.

### **Acquisitions**

The Company may fail to select appropriate acquisition targets, fail to negotiate favourable acquisition or financing terms, or may complete acquisitions or business arrangements which do not ultimately benefit the ongoing business of the Enlarged Group.

### **Health and Safety**

Certain of the Enlarged Group's operations are carried out under potentially hazardous conditions. Whilst the Enlarged Group intends to continue to operate in accordance with relevant health and safety regulations and requirements, the Enlarged Group remains susceptible to the possibility that liabilities may arise as a result of accidents or other workforce-related misfortunes, some of which may be beyond the Enlarged Group's control.

### **Dependence on key personnel**

The Enlarged Group's development and prospects are dependent upon the continued services and performance of its senior management and other key personnel. Financial difficulties or other factors could adversely affect the Enlarged Group's ability to retain key employees. The loss of the services of any key personnel may have negative effects on the Enlarged Group's operating results and financial condition.

The Company is highly dependent on its Directors. Whilst the Board has sought to and will continue to ensure that Directors and any key employees are appropriately incentivised, their services cannot be guaranteed. The Enlarged Group will have a small management team and the loss of one or more executive Directors may have an adverse effect on its operational performance and growth plans. The continued involvement of key employees, consultants and Directors is not assured, and the loss of their services to the Enlarged Group may have a material adverse effect on the performance of the Enlarged Group.

### **Payment Obligations**

Under the Licences and certain other contractual agreements to which the Enlarged Group is or may in the future become a party, the Enlarged Group is or may become subject to payment and other obligations. In particular, the permit holders are required to expend the funds necessary to meet the minimum work commitments attaching to Licences. Failure to meet these work commitments may render the Licence liable to be cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Enlarged Group.

### **Risks related to technological developments**

The Enlarged Group's ability to compete in the identification of new resources and to produce gold competitively is dependent in part on its ability to keep pace with changes and improvements in georelated and mineral processing technologies.

### **Litigation**

Legal proceedings may arise from time to time in the course of the Enlarged Group's business. The Directors cannot preclude that litigation may be brought by or against the Enlarged Group. Wega Mining may be subject to litigation, which could adversely impact Avocet Mining's financial situation and results or Avocet Mining's share price.

## **Integration of Wega Mining into the Enlarged Group**

The integration of Wega Mining into the Enlarged Group could turn out to be more complex than anticipated, leading to, inter alia, further delays in the commissioning of the Inata Project or material cost overruns. As noted above, the Enlarged Group will have a small management team and the successful integration of Wega Mining into the Enlarged Group will require additional management focus which could damage the prospects of the Enlarged Group as a whole.

## ***Financial risks***

### **Additional requirement for capital**

Substantial additional financing may be required if the Enlarged Group is to be successful in pursuing its ultimate strategy. No assurances can be given that the Enlarged Group will be able to raise the additional finance that it may require for its anticipated future operations. Gold prices, environmental rehabilitation or restitution, revenues, taxes, transportation cost, capital expenditures, operational expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. There can be no assurance that additional financing will be available on terms acceptable to the Enlarged Group or at all. If the Enlarged Group is unable to obtain additional financing, as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its Licences, incur financial penalties or reduce or terminate its operations.

### **Foreign currency risk**

The Company's functional currency is USD, as the currency which most affects the Company's revenues, costs and financing. This includes the fact that as a producer of gold, the Company receives USD for all of its sales and that cash deposits and debt are typically held in USD. Parts of the Company's costs are in the local currencies of the countries where the Company operates, and in other currencies depending on sourcing of supplies. The Enlarged Group may, from time to time, hold material cash balances in a currency other than USD with the potential for short term foreign exchange exposure. Fluctuations in exchange rates can have an impact on the Company's results.

To mitigate the impact of USD weakness on operating costs that are not USD denominated, the Company has previously entered into currency hedging arrangements. Should the Enlarged Group enter into similar hedging arrangements in future, and in the event of adverse currency movements, there is a risk that cash flows may be worse than if no hedging had been entered into.

### **Interest rate risk**

The Company currently finances its operations through equity fundraising and therefore does not carry significant borrowings. As of the date of this Offer Document the Company has no debt. Cash balances are held on current accounts that normally bear no interest, and on short term fixed deposits, whose interest rates are established at the time of deposit, with reference to the current market rates, the duration of the term, and the amounts deposited. Following the completion of the Offer, the Enlarged Group will have both cash and debt, including the Inata Project Facility, which incurs interest at a floating rate. Going forward, the Enlarged Group may from time to time hold either net cash or net debt and will be exposed to fluctuations in interest rates. The Company does not currently use financial instruments to hedge its interest rate exposure.

### **Liquidity risk**

The Company's objectives for managing its liquidity are to ensure that its operating subsidiaries have available to them local cash balances and lines of credit sufficient to fund their working capital needs, and that the maturities of any debt it may have are not beyond its ability to repay or refinance. Subsequent to the USD 30 million funding recently provided to Wega Mining, the Company has current cash resources of approximately USD 40 million and in addition, the Company has a USD 25 million revolving credit facility, available dependent on certain conditions precedent, which is undrawn as at the date of this Offer Document. As a result of the acquisition of Wega Mining, Avocet Mining will acquire debt including the Inata Project Facility of approximately USD 56 million and in addition will incur significant additional expenditure commitments including, inter alia, in relation to the completion of the Inata Project. There is a risk that as a result of these additional expenditure commitments and indebtedness, the Company's ability to manage its liquidity and fund its existing operating subsidiaries may be restricted.

## **Breaches of debt covenants**

Prior to Avocet Mining expressing an interest in acquiring Wega Mining, on 23 February 2009 Wega Mining received a notification from Macquarie Bank in which the loan parties were made aware that various events of default had occurred as defined in the Inata Project Facility agreement entered into in July 2008. The notification was based on the findings and conclusions in a third party project review report commissioned by Macquarie Bank.

Avocet Mining, Wega Mining, Resolute and SMB have entered into certain agreements with Macquarie Bank to formalise their relationship with Macquarie Bank in relation to the Inata Project Facility and Avocet Mining's takeover of Wega Mining. In addition they have given certain undertakings to Macquarie Bank in order to gain Macquarie Bank's consent to the proposed change of control which would arise from the Offer completing and to the Convertible Loan being offered by Avocet Mining, which could be converted at any time to equity such that Avocet Mining would own greater than 50% of the issued shares of Wega Mining. Upon satisfaction of and compliance with all agreements and undertakings by Avocet Mining, Wega Mining, Resolute and SMB, and based on facts and information available at the time it gave its consent, Macquarie Bank and Avocet Mining expect that SMB will be in full compliance with the Inata Project Facility agreement.

Notwithstanding the above, the Inata Project Facility currently remains in default. In conjunction with the above consent, Macquarie Bank has confirmed that prior to July 31, 2009, or such later date which Macquarie Bank agrees, but not later than August 31, 2009, it will not demand repayment of the debt or enforce any other remedies set out in the Inata Project Facility as a result of any existing events of default known to Macquarie Bank which have occurred up to the date of the consent.

It is the current belief of the Board of Avocet Mining that it will be able to satisfy its obligations to ensure that the borrower under the Inata Project Facility will be in full compliance with the Inata Project Facility prior to the expiry of the non-acceleration undertaking given by Macquarie Bank, assuming that the Offer is declared unconditional in all respects. The Inata Project Facility will have no recourse to Avocet Mining, and therefore Macquarie Bank cannot require Avocet Mining to repay the loan, at any time.

There can be no certainty that Avocet Mining, Wega Mining, Resolute and SMB will be able to satisfy and be in compliance with all agreements entered into and undertakings provided by them prior to 31 July 2009 in respect of existing events of default or in respect of events following the date of this document which may be considered breaches of debt covenants or events of default by Macquarie Bank. If either situation were to occur, then Macquarie Bank would have the right to demand the acceleration of payment of the obligations or enforce any other remedies set out in the Inata Project Facility, including but not limited to exercising its security over the Inata Project and/or intercompany loans.

The Board of Avocet Mining believes that the successful development of the Inata Project is in the best interests of both Avocet Mining and Macquarie Bank, and furthermore that Avocet Mining's long relationship with Macquarie Bank, dating back to the building of the Penjom gold mine in 1995, will allow both parties to work towards this goal in preference to any other outcome. However, if either of the above situations were to occur, and in the event that Macquarie Bank was to exercise its right of acceleration, Avocet Mining's Board is confident of its ability to secure alternative debt funding.

## ***Regulatory, political and environmental risk***

### **Regulatory and political risk**

The Enlarged Group has Licences, exploration and/or development projects in foreign countries. Therefore the Enlarged Group's activities are exposed to varying degrees of political and economic risks and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to, risk of war or civil unrest, expropriation and nationalisation, renegotiation or nullification of existing concessions, licences, permits and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation, changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase of supplies from a particular jurisdiction.

The exploration, development and operating activities of the Enlarged Group are generally subject to various laws or regulations governing exploration, development, mining, processing, taxes, labour standards and occupational health and safety, toxic substances, use of motorised machinery, land use, water use, and land claims of local people and protection of the environment and cultural monuments and other matters. Although the Company and Wega Mining believe to the best of their knowledge that their activities are currently being

carried out in accordance with all applicable laws, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing exploration, development and operating activities or more stringent implementation thereof, could have a substantial adverse impact on the Enlarged Group.

Changes in exploration, mining or investment policies or shifts in political attitude could materially adversely impact the Enlarged Group's financial results. The Company's accounting policy in respect of exploration is that 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. The Enlarged Group's operations may be affected in varying degrees by government regulations with respect to, for example, restrictions on exploration, development, processing, price controls, export controls, currency remittance, income taxes, expropriation of property foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Projects in respect of which the Company currently holds amounts capitalised within non-current intangible assets in the expectation of obtaining appropriate permits include Bakan, Doup, Seruyung and Tanoyan in Indonesia. There is no certainty that these projects will be permitted in order for development of a mine and there is therefore a risk of significant impairments in the future. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

### **Legislative Changes**

Changes in government regulations and policies in Malaysia, Indonesia, Burkina Faso or elsewhere may adversely affect the financial or other performance of the Enlarged Group.

### **Country Risk**

The Enlarged Group's primary assets are located in Malaysia, Indonesia and Burkina Faso, which introduce both sovereign and Malaysian, Indonesian and Burkinabe domestic economic risk issues to investors owning the New Avocet Mining Shares. Investors in the Enlarged Group should be aware of the specific country risk issues associated with Malaysia, Indonesia and Burkina Faso.

As with other companies having operations in Malaysia, Indonesia and Burkina Faso, the Enlarged Group's operations are closely linked to the economic fundamentals and political stability of Malaysia, Indonesia and Burkina Faso. Any adverse developments or uncertainties in the political and economic environment in Malaysia, Indonesia and/or Burkina Faso may materially adversely affect the business, financial condition and results of operations of the Enlarged Group. Such developments could include social or civil unrest, outbreak of hostility with an external party, unfavourable changes in the policies of the Malaysian, Indonesian or Burkina Faso governments or changes in regulation and legislation. In addition, other political uncertainties include but are not limited to the risk of expropriation and nationalisation. If any of these events (or similar events) were to occur, there may be an adverse effect on the Enlarged Group's business, financial condition and results of operations, as well as on any investment in the New Avocet Mining Shares.

### **Environmental risk**

The Enlarged Group's operations are subject to environmental regulation in the various jurisdictions where the Enlarged Group operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which may require stricter standards of enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility from companies and their officers, directors or employees. There is no assurance that future changes in environmental regulations, if any, will not adversely affect the Enlarged Group's operations.

In addition, the Enlarged Group may be subject to significant fines and penalties if it does not comply with environmental laws and regulations including those referred to above, many of them relating to the discharge of hazardous substances and the protection of the environment. Environmental remediation and mine closure costs could be significant and cause the Enlarged Group to incur a substantial loss.

## ***Risks related to the shares***

### **Volatility of the share price**

The trading price of the Ordinary Shares could fluctuate significantly in response to variations in operating results, general economic outlook, adverse business developments, interest rate changes, changes in financial estimates by securities analysts, matters announced in respect of commodity prices or competitors or changes to the regulatory environment in which the Enlarged Group operates.

Market conditions may affect the Ordinary Shares regardless of Enlarged Group's operating performance or the overall performance of the mineral exploration and development sector. Accordingly, the market price of the shares may not reflect the underlying value of Enlarged Group's net assets, and the price at which investors may dispose of their shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Enlarged Group, while others of which may be outside the Enlarged Group's control.

The market price of the Ordinary Shares could decline due to sales of a large number of shares in the Company in the market or the perception that such sales could occur.

### **Liquidity of the shares**

The Company's shares are listed on AIM. This should not be taken as implying that there will always be a liquid market for the shares. An investment in the shares may thus be difficult to realise. Investors should be aware that the value of the shares may be volatile and may go down as well as up. Investors may, on disposing of the shares, realise less than their original investment or may lose their entire investment.

Shareholders may be diluted if they are unable to participate in potential future equity offerings. In order to pursue its strategy, the Company may elect to raise further funding through future equity offerings. Certain investors may be unable to participate in potential future equity offerings, due to the disapplication of shareholders' pre-emptive rights in order to raise equity at short notice in the investor market, or for reasons relating to foreign securities laws or other factors. Shareholders unable to participate in potential future equity offerings may therefore see their shareholding in the Enlarged Group diluted.

## ***Risks related to the Offer***

Should Wega Mining's financial situation or results not conform to Avocet Mining's expectations, the Company may be required to incur significant fair value adjustments or impairment charges against the value of assets acquired.

Should a significant number of Wega Mining Shareholders decide to sell the New Avocet Mining Shares they will receive upon completion of the Offer, this could adversely affect the Avocet Mining share price.