



**Avocet Mining**



## GROWTH AND OPERATIONAL EXCELLENCE

Avocet Mining PLC Interim Report  
for the six months ended 30 September 2008

# HIGHLIGHTS – SIX MONTHS ENDED 30 SEPTEMBER 2008

	6 months ended 30 September 2008	6 months ended 30 September 2007	Variance	Year ended 31 March 2008
<b>Total gold production (ounces)</b>	<b>55,778</b>	89,755	-38%	164,832
– continuing operations (Penjom & North Lanut)	<b>55,778</b>	82,830	-33%	157,907
– discontinued operations (ZGC)	–	6,925	–	6,925
<b>Average realised gold price (US\$/oz)</b>	<b>880</b>	675	30%	767
<b>Cash production costs (US\$/oz)</b>	<b>514</b>	348	-48%	344
– continuing operations	<b>514</b>	294	-75%	316
– discontinued operations	–	983	–	983
<b>Profit/(loss) before tax for the period (US\$000)</b>	<b>30,906</b>	29,343	5%	37,583
– before exceptional items	<b>11,786</b>	18,663	-37%	52,407
– exceptional items	<b>19,120</b>	10,680	79%	(14,824)
<b>Profit for the period (US\$000)</b>	<b>22,462</b>	26,285	-15%	31,911
Earnings per share (US cents)	<b>18.61</b>	20.92	-11%	23.59
– before exceptional items	<b>7.04</b>	9.57	-26%	27.53

Profit before tax up 5% at  
**US\$30.9** million

Profit before tax and  
exceptionals of  
**US\$11.8** million

Production of  
**55,778** ounces;  
H2 increase expected

**Exploration**  
pipeline enhanced in  
Indonesia and the Philippines

**Strong balance  
sheet** and unhedged

# CHAIRMAN'S STATEMENT



As indicated at the time of the Company's quarterly production updates in July and October, the first half of the financial year has been a challenging one. Lower grades at Penjom and reduced recoveries at North Lanut were exacerbated by the steep rise in fuel costs and associated increases in consumable prices. These factors caused gold production to fall and the Group's overall cash cost to rise to US\$514/oz. Although this is in line with the average cost of global gold production, the Company is resolved to return to its previous position in the lowest quartile of the cost curve.

**“results for the first six months of the year continue to show a profitable business with a healthy cash balance”**

Good progress has been made in addressing these operational challenges, with several initiatives implemented during the half year which are expected to enhance grades and recoveries in the second half and in the future. The Company's ongoing operations should benefit from continued investment in capital equipment and infrastructure at both operations.

The Company's growth prospects were enhanced during the first half year by resource development at both mines and by greenfield exploration. Exploration away from the mines has focused on the evaluation of the Banda properties acquired in July 2007. This programme has indicated that two of the Banda properties, Doup and Tanoyan, each have the potential for in excess of one million ounces of resource. The Company has also

announced the review of the Kay Tanda project in the Philippines which allows its exploration pipeline to extend further within our core SE Asian region.

The financial results for the first six months of the year continue to show a profitable business with a healthy cash balance.

## SECOND HALF OUTLOOK

A number of changes in management and mine planning have been implemented recently that will help us deliver an increase in the grade of ore mined at Penjom from the third quarter and an improvement in recovery at North Lanut from the fourth quarter. Second half gold production is therefore expected to exceed the first half. The recent decrease in oil prices should also allow overall operational costs to decrease. Although challenges remain, these developments are encouraging for the second half and the longer term.

I would like to thank all our employees for their efforts in helping our Company to weather the current period of financial turbulence. The Company is well placed to take advantage of opportunities that will arise in this environment of limited liquidity, with a strong cash position and no debt. A number of such acquisition opportunities are currently being evaluated, with a focus on targets that have assets in or near production.

**Nigel McNair Scott**

11 November 2008

# CHIEF EXECUTIVE'S STATEMENT AND OPERATIONAL REVIEW

Like many other producers, Avocet has felt the impact of the roller coaster ride in commodity prices over the six months under review. In particular we have seen a volatile gold price while the price of oil, to which many of our key input costs are directly or indirectly linked, has also fluctuated significantly. Nevertheless, Avocet's business remains robust and its positive operating cash flows and strong balance sheet leave the Company well placed in a difficult environment. Our success in continuing to respond to these conditions will rely not only on the quality of our assets, but also on strong and experienced management at all of our business units. We have continued to make changes where necessary to ensure our management teams will achieve the most from the Company's producing mines and exciting exploration portfolio.

Gold production in the first six months of FY2009 was disappointing as each mine faced specific operational challenges. However, good progress has already been made in addressing these issues. During the last twelve months Penjom ore has been mined predominantly from the bottom of the main Kalampong pit and grades have been lower than expected as the gold bearing material has been more discreet than modelled. Ore mining at Penjom has now moved away from the bottom of the main pit and started to focus on higher grade areas on the east wall of the main pit and to the south at Janik and Manik. This followed a period of significant waste stripping required to gain access to these areas.

At North Lanut availability of oxide ore, from which gold is more readily recovered and which requires a shorter leach period, was limited in the Riska pit. In response measures have been put in place to mine the oxide ores at the adjoining Effendi pit, which is expected to commence in the fourth quarter, while the challenge of leaching a higher proportion of sulphidic ore from Riska is also being addressed. Sulphidic ore generates lower recoveries, consumes more reagents and requires longer leach times under normal dump or heap leach operating conditions. A method of pre-treatment for sulphidic ore is being trialled by Avocet's metallurgical team which it is anticipated will improve heap leach recovery.

The lower grades at Penjom and reduced recoveries at North Lanut were exacerbated by the steep rise in fuel costs and associated increases in consumable prices. These factors resulted in gold production falling and the Group's overall cash cost rising to US\$514/oz.

The first half was also an important milestone for our exploration team as it reached the later stages of its evaluation of both the Banda properties acquired last year and a number of other prospects the Company has been exploring for a number of years. Two of the Banda properties, Doup and Tanoyan, have

shown potential for more than one million ounces of resource each and work continues to progress these two projects towards pre-feasibility. Drilling has commenced on the Seruyung project, which also has the potential for a resource in excess of one million ounces.

The evaluation has also been the catalyst for a rationalisation of prospects that do not meet the Company's development criteria, and a decision has been made to impair US\$8.0 million of deferred exploration expenditure on projects that the Company does not intend to advance. Where possible these projects will be disposed of for value, as occurred with the Buffalo Reef prospect in Malaysia last year.

Profit for the first half year was US\$22.5 million compared to US\$26.3 million for the prior year, while earnings per share at 18.61 cents were 11% below the previous year of 20.92 cents. Both years included exceptional post-tax gains of approximately US\$13.0 million, as set out in note 3 to the financial statements. The underlying measure of profit before tax and exceptional items was US\$11.8 million compared with US\$18.7 million last year as higher gold prices were not sufficient to compensate for record sales and cash costs in the previous year. Significantly, despite disappointing production and costs in the half year, net cash from operations was a positive US\$13.7 million, albeit somewhat lower than the US\$18.6 million generated in the previous year. Expenditure of US\$15.8 million on property, plant and equipment was higher than the US\$8.2 million expended last year, as the Company continued its investment at both mines in mining and plant equipment as well as key infrastructure for the remaining mine lives. Cash flow in the period also reflected the close-out of the Group's gold collar for US\$20.8 million, as well as significant tax paid in Indonesia related to record profits in the prior year and tax payments on account for this year. Together with exploration expenditure of US\$8.3 million, these movements meant that the Group's cash balance reduced from US\$122.6 million at 1 April 2008 to US\$79.2 million at 30 September. Net assets at 30 September 2008 of US\$190m were 13% higher than at 31 March 2008.

Avocet remains well positioned as an unhedged producer with a strong balance sheet. We continue to search for value added acquisitions and believe that the current financial crisis will provide good opportunities to help drive the Company's growth. I wish our employees a safe and successful remainder of the year.



**Jonathan Henry**

11 November 2008

# PENJOM, MALAYSIA



	<b>6 months ended 30 September 2008</b>	6 months ended 30 September 2007	Year ended 31 March 2008
<b>Production statistics</b>			
Ore mined (tonnes)	<b>265,000</b>	316,000	561,000
Waste mined (tonnes)	<b>8,260,000</b>	7,544,000	16,697,000
Ore and waste mined (tonnes)	<b>8,525,000</b>	7,860,000	17,258,000
Ore processed (tonnes)	<b>370,000</b>	291,000	596,100
Average ore head grade (g/t)	<b>3.48</b>	5.13	4.84
Process recovery rate	<b>88%</b>	92%	91%
<b>Gold produced (ozs)</b>	<b>36,522</b>	43,964	83,724
<b>Cash costs (US\$/oz)</b>			
– mining	<b>321</b>	208	239
– processing	<b>161</b>	92	97
– royalties and overheads	<b>94</b>	74	78
Total before deferred stripping	<b>576</b>	374	414
– deferred stripping	<b>(125)</b>	(54)	(80)
<b>Total cash costs (US\$/oz)</b>	<b>451</b>	320	334

During the first half of the year, ore mining was restricted predominantly to the bottom of the main Kalampong pit where mining benches were narrow and difficult to mine, and where grades were lower than anticipated. This reflected more discreet veining in sandstone hosted rock rather than the predominant carbonaceous shale that hosts the majority of Penjom's ore. During this period the mining fleet focused on waste stripping and on a stream diversion to expedite access to higher grade mining areas on the east wall of the Kalampong pit and in the Janik and Manik areas to the south of the main pit. The stream diversion was completed at the end of the half year and this will allow for mining of Janik during the second half. Total tonnes moved were 16% higher than last year as mining benefited from a full six months of the new mining fleet. Gold production of 36,522 ounces was 17% down as a consequence of mill grades being 32% below last year when a greater proportion of higher grade stockpiles was available for processing. As planned, lower grades were partially compensated by a 27% increase in tonnes processed as the mill expansion completed in January 2008

performed well, but recovery was slightly down due to lower grades and a greater proportion of ore with high carbon content.

Before adjustment for deferred stripping, Penjom's cash cost per ounce was US\$576/oz compared with US\$374/oz last year, with lower production accounting for approximately US\$55/oz of the increase. The remaining increase mainly reflected higher prices for diesel, kerosene and explosives. The higher strip ratio of 33.7 meant that after deferred stripping adjustment, Penjom's reported cash cost was US\$451/oz compared with US\$320/oz last year.

The anticipated ramp up in resource drilling has been delayed by the lack of drill rig availability, as the mine has experienced commissioning delays with a new multi-purpose drill rig together with a shortage of drilling supplies. This is expected to be rectified during the second half during which time a new resource model and an updated life of mine plan will be completed.

# NORTH LANUT, INDONESIA

	<b>6 months ended 30 September 2008</b>	6 months ended 30 September 2007	Year ended 31 March 2008
<b>Production statistics</b>			
Ore mined (tonnes)	<b>741,000</b>	1,140,000	1,969,000
Waste mined (tonnes)	<b>525,000</b>	577,000	1,144,000
Ore and waste mined (tonnes)	<b>1,266,000</b>	1,717,000	3,113,000
Ore leached (tonnes)	<b>818,000</b>	1,043,000	1,683,000
Average ore head grade (g/t)	<b>2.14</b>	2.70	2.54
Recovery rate	<b>34%</b>	43%	54%
<b>Gold produced (ozs)</b>	<b>19,256</b>	38,866	74,183
<b>Cash costs (US\$/oz)</b>			
– mining	<b>274</b>	134	139
– processing	<b>214</b>	61	67
– royalties and overheads	<b>145</b>	70	89
<b>Total cash costs (US\$/oz)</b>	<b>633</b>	265	295

The deepening of the Riska pit and the change in ore type from oxide to sulphidic resulted in lower gold production in the first half of FY2009 of 19,256 ounces. This was significantly less than in the previous year when the mine experienced record throughput and grades as well as higher recoveries. As reported in the Company's Q4 trading update in April, the change in ore type necessitated a slowing down of the rate of ore irrigation in order to extend leach times in an effort to enhance recoveries. Ore leached was therefore 22% down on last year. With a lower amount of oxide ore readily available within the Riska pit the mine sourced amenable material from around the edge of the Riska pit, with the benefit of better recovery more than compensating for somewhat lower grades. Nonetheless, overall recovery at 34% was below the prior year recovery of 43%. Costs were pushed up by high diesel and explosives prices and a significant increase in the usage of lime and other reagents required to control the pH of the leach solution while treating more sulphidic ore. During the first half a number of initiatives were implemented to improve recovery and gold production in the second half and in the longer term, including a plant upgrade, commissioning of a new mobile crusher to increase leach surface area, and construction of the new HLP3 leach pad which will provide separate cells for treatment of each different type of ore.

North Lanut's cash cost per ounce more than doubled from US\$265/oz to US\$633/oz, with lower production accounting for nearly US\$270/oz of the increase. The remaining increase reflects higher prices for diesel and other consumables as well as increased usage of lime and other reagents. The increase in administrative costs included fuel related freight and supply cost increases as well as strengthening of the management team as the mine takes on a more technical challenge.

During the period, ongoing drilling enabled the mine to increase its resource. The revised Riska and Effendi models contain Measured, Indicated and Inferred Resources of 11.77 million tonnes with a grade of 1.32 g/t Au containing 498,900 ounces of gold above the economic cut-off of 0.3 g/t Au. This compares with the previous estimate dated 31 March 2008 of 11.08 million tonnes at a grade of 1.26 g/t Au containing 448,300 ounces of gold, which was depleted by 0.82 million tonnes (56,300 ounces) in the first half. The revised models represent a net increase in the North Lanut resource base of 106,900 ounces or 24%. There has also been an improvement in the quality of the resource with only 15% of the contained gold ounces now in the Inferred category.

These resources are classified according to the definitions outlined in the JORC Code of 2004 (Australasian Joint Ore Reserves Committee). The resource model is cut to the open pit topographic surface at the end of September 2008. The table below summarises the distribution of resources by category and deposit.



<b>RISKA RESOURCE</b>	<b>Metric tonnes</b>	<b>Grade (g/t Au)</b>	<b>Gold ounces</b>	<b>Attributable ounces<sup>(1)</sup></b>
Measured	5,353,000	1.34	231,200	184,960
Indicated	479,000	1.28	19,700	15,760
Measured + Indicated	5,832,000	1.34	250,900	200,720
Inferred	539,000	3.34	57,900	46,320
<b>Total (30 September 2008)</b>	<b>6,371,000</b>	<b>1.51</b>	<b>308,800</b>	<b>247,040</b>
Depletion	818,000	2.14	56,300	45,040
Resource (31 March 2008)	6,914,000	1.39	310,000	248,000
Change	275,000		55,100	44,080
<b>EFFENDI RESOURCE</b>				
Measured	3,858,000	1.03	127,300	101,840
Indicated	1,231,000	1.22	48,100	38,480
Measured + Indicated	5,089,000	1.07	175,400	140,320
Inferred	310,000	1.48	14,700	11,760
<b>Total (30 September 2008)</b>	<b>5,399,000</b>	<b>1.10</b>	<b>190,100</b>	<b>152,080</b>
Depletion				
Resource (31 March 2008)	4,168,000	1.03	138,300	110,640
Change	1,231,000		51,800	41,440
<b>Total change</b>	<b>1,506,000</b>		<b>106,900</b>	<b>85,520</b>

(1) The Company owns 80% of the North Lanut mine

The recent drilling programmes have assessed the low-grade margins of each deposit comprising transitional and oxide mineralisation as well as the higher grade sulphidic cores beneath the present final pit bases. This has led to the addition of significant tonnages of low grade mineralisation to the resource and greater definition of high grade mineralisation below the base of the pits. Production statistics over the last two years have shown that the high grade core of the Riska deposit is significantly higher than modelled. The addition of grade control drilling and pit mapping data at Riska has enabled the Company's geologists to model the distribution of high grade mineralisation more accurately. This has allowed the average grade of the Riska resource to increase and should lead to improved reconciliation with the model.

It should be noted that the depletion figure of 56,300 ounces at Riska includes ounces that are in the process of leaching, a proportion of which are expected to report to production in the remainder of the financial year.

Further drilling is underway to evaluate the calibre of the deep sulphide resource.

Avocet is currently conducting an open pit optimisation review at North Lanut using current costs and revenue parameters. The resulting optimal pit will form the basis of a revised pit design and the reporting of Proven and Probable reserves.

# EXPLORATION



Exploration during the half year has focused on initial reviews of the majority of the new exploration portfolio purchased as part of the Banda acquisition together with a rationalisation of some of the exploration prospects that the Company has been exploring over a number of years. More recently, and in order to ensure the best allocation of resources, the Company has prioritised those prospects that hold the most potential to become new mines. These include the Doup, Tanoyan and Seruyung projects in Indonesia. First phases of drilling have been completed at Doup and Tanoyan with results that have met or exceeded internal expectations. This has allowed for follow up work on both projects. At Doup the Company will complete a drilling programme with the aim of generating an Inferred JORC Resource before the end of the financial year. At Tanoyan a single drill programme is ongoing to explore for higher grades at depth following initial positive results that were announced on 2 July 2008.

Successful due diligence was completed on the Seruyung project during the half year and a drill programme has commenced with the objective of testing and expanding the resource that previous operators have quoted as in excess of 300,000 ounces of gold.

Continuing delays to the permitting process at Bakan have meant that the start of construction is now likely to be delayed beyond 2009. The technical aspects of the project remain robust and the feasibility study remains close to completion pending all permitting approvals. Meanwhile, limited cash resources are being spent on the project.

In September the Company announced that it had expanded its exploration presence into the Philippines by signing a Memorandum of Understanding (MoU) with Mindoro Resources, a Toronto-listed company, giving Avocet the right to earn up to a 75% economic interest in the Archangel Project in southern Luzon. Due diligence is ongoing on this new venture. We continue to review a number of other exploration projects in SE Asia, although the priority is now very much on near and medium term production assets.

# REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AVOCET MINING PLC

## INTRODUCTION

We have been engaged by the company to review the financial information in the half-yearly financial report for the six months ended 30 September 2008 which comprises the condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated statement of changes of equity, condensed consolidated cash flow statement and the related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

## DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with the basis of preparation.

## OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the financial information in the half-yearly financial report based on our review.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 1.

## GRANT THORNTON UK LLP

Registered Auditor  
Chartered Accountants  
London  
11 November 2008

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	notes	6 months ended 30 September 2008 Unaudited US\$000	6 months ended 30 September 2007 Unaudited US\$000	Year ended 31 March 2008 Audited US\$000
<b>Revenue</b>				
Continuing operations		50,638	55,302	123,938
Discontinued operations		–	4,765	4,765
		50,638	60,067	128,703
<b>Cost of sales</b>				
Continuing operations		(36,656)	(31,621)	(65,004)
Discontinued operations		–	(8,751)	(8,751)
		(36,656)	(40,372)	(73,755)
<b>Gross profit</b>		13,982	19,695	54,948
Administrative expenses – continuing operations		(2,451)	(2,413)	(5,292)
Share based payments – continuing operations		(916)	(730)	(1,618)
Exploration impairment	3	(7,981)	–	–
Total administrative expenses		(11,348)	(3,143)	(6,910)
<b>Operating profit</b>		2,634	16,552	48,038
Profit on disposal of non-current asset investments	3	–	8,908	8,904
Profit on disposal of discontinued operations	3	–	12,297	12,297
Profit on disposal of property, plant and equipment	3	2,333	–	–
<b>Finance items – continuing operations</b>				
(Loss)/gain on gold collar not qualifying for hedge accounting	3	24,768	(10,525)	(36,025)
Exchange (losses)/gains		(328)	168	(190)
Finance income		1,501	1,977	4,655
Finance expense		(2)	(34)	(96)
<b>Profit/(loss) before taxation</b>				
Continuing operations		30,906	21,032	29,272
Discontinued operations		–	8,311	8,311
<b>Profit before taxation</b>		30,906	29,343	37,583
<b>Analysed as:</b>				
Profit before taxation and exceptional items	2	11,786	18,663	52,407
Exceptional items	3	19,120	10,680	(14,824)
Profit before taxation		30,906	29,343	37,583
<b>Taxation</b>				
Continuing operations		(8,444)	(3,011)	(5,625)
Discontinued operations		–	(47)	(47)
		(8,444)	(3,058)	(5,672)
<b>Profit/(loss) for the period</b>				
Profit for the period from continuing operations		22,462	18,021	23,647
Profit/(loss) for the period from discontinued operations		–	8,264	8,264
<b>Profit for the period</b>		22,462	26,285	31,911
Attributable to:				
Equity shareholders of the parent company		22,438	25,111	28,348
Minority interests		24	1,174	3,563
		22,462	26,285	31,911
<b>Earnings per share</b>	4			
Basic (cents per share)		18.61	20.92	23.59
Diluted (cents per share)		18.32	20.59	23.19

# CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2008

	notes	30 September 2008 Unaudited US\$000	30 September 2007 Unaudited US\$000	31 March 2008 Audited US\$000
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		8,678	5,166	8,678
Property, plant and equipment		68,933	40,191	54,009
Intangible assets		26,621	16,392	23,810
Other financial assets	5	6,259	15,180	8,323
Deferred tax assets		12,631	8,924	16,512
		123,122	85,853	111,332
<b>Current assets</b>				
Inventories		18,186	14,835	17,350
Trade and other receivables		11,552	9,031	5,287
Cash and bank balances		79,211	111,702	122,596
		108,949	135,568	145,233
<b>Current liabilities</b>				
Trade and other payables		19,947	15,555	17,684
Current tax liabilities		3,799	6,007	9,656
		23,746	21,562	27,340
<b>Non-current liabilities</b>				
Other financial liabilities	6	–	20,100	45,600
Deferred tax liabilities		2,080	4,636	3,579
Other liabilities		15,812	8,949	11,836
		17,892	33,685	61,015
<b>Net assets</b>		<b>190,433</b>	<b>166,174</b>	<b>168,210</b>
<b>Equity</b>				
Capital and reserves				
Issued capital		9,867	9,867	9,867
Share premium		52,834	52,834	52,834
Other reserves		9,804	14,599	11,454
Retained earnings		112,239	85,598	88,390
Total equity attributable to the parent company		184,744	162,898	162,545
Minority interests		5,689	3,276	5,665
<b>Total equity</b>		<b>190,433</b>	<b>166,174</b>	<b>168,210</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Share capital	Share premium	Other reserve	Retained earnings	Minority interest	Total equity
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
<b>At 31 March 2007 (Audited)</b>	<b>9,867</b>	<b>52,834</b>	<b>13,894</b>	<b>60,281</b>	<b>723</b>	<b>137,599</b>
Profit for the period	–	–	–	25,111	1,174	26,285
Exchange differences on translation of foreign operations	–	–	(230)	–	–	(230)
Revaluation of other financial assets	–	–	3,579	–	–	3,579
Total recognised income and expense for the period	–	–	3,349	25,111	1,174	29,634
Share based payments	–	–	–	730	–	730
Losses on issue from treasury shares	–	–	–	(524)	–	(524)
Investment in own shares	–	–	(2,644)	–	–	(2,644)
Disposals	–	–	–	–	1,379	1,379
<b>At 30 September 2007 (Unaudited)</b>	<b>9,867</b>	<b>52,834</b>	<b>14,599</b>	<b>85,598</b>	<b>3,276</b>	<b>166,174</b>
Profit for the period	–	–	–	3,237	2,389	5,626
Exchange differences on translation of foreign operations	–	–	398	–	–	398
Revaluation of other financial assets	–	–	(4,038)	–	–	(4,038)
Total recognised income and expense for the period	–	–	(3,640)	3,237	2,389	1,986
Share based payments	–	–	–	888	–	888
Losses on issue from treasury shares	–	–	–	(352)	–	(352)
Investment in own shares	–	–	495	–	–	495
Disposals	–	–	–	(981)	–	(981)
<b>At 31 March 2008 (Audited)</b>	<b>9,867</b>	<b>52,834</b>	<b>11,454</b>	<b>88,390</b>	<b>5,665</b>	<b>168,210</b>
Profit for the period	–	–	–	22,438	24	22,462
Exchange differences on translation of foreign operations	–	–	(367)	–	–	(367)
Revaluation of other financial assets	–	–	(3,301)	–	–	(3,301)
Total recognised income and expense for the period	–	–	(3,668)	22,438	24	18,794
Share based payments	–	–	–	916	–	916
Profit on issue from treasury shares	–	–	–	495	–	495
Issue of treasury shares	–	–	2,134	–	–	2,134
Investment in own shares	–	–	(116)	–	–	(116)
<b>At 30 September 2008 (Unaudited)</b>	<b>9,867</b>	<b>52,834</b>	<b>9,804</b>	<b>112,239</b>	<b>5,689</b>	<b>190,433</b>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	<b>6 months ended 30 September 2008 Unaudited US\$000</b>	6 months ended 30 September 2007 Unaudited US\$000	Year ended 31 March 2008 Audited US\$000
<b>Cash flows from operating activities</b>			
Profit for the period	22,462	26,285	31,911
Adjusted for:			
Depreciation of non-current assets	4,797	5,919	13,579
Exploration impairment	7,981	–	–
Share based payment	916	730	1,618
Provisions	364	1,376	580
Taxation in the income statement	8,444	3,058	5,672
Non operating items in the income statement	(28,272)	(12,791)	10,455
	<b>16,692</b>	24,577	63,815
Movements in working capital:			
(Increase)/decrease in inventory	(835)	171	(2,687)
Increase in trade and other receivables	(4,456)	(5,911)	(1,959)
Increase/(decrease) in trade and other payables	2,310	(252)	6,266
<b>Net cash generated from operations</b>	<b>13,711</b>	18,585	65,435
Interest received	1,501	1,977	4,655
Interest paid	(2)	(34)	(96)
Income tax paid	(11,851)	(1,965)	(8,692)
<b>Net cash generated by operating activities</b>	<b>3,359</b>	18,563	61,302
<b>Cash flows from investing activities</b>			
Net proceeds from disposals of non-current asset investments	–	46,163	46,149
Payments for property, plant and equipment	(15,787)	(8,235)	(29,957)
Deferred consideration	(947)	(752)	(1,994)
Exploration and evaluation expenses	(8,323)	(6,175)	(13,944)
Net cash movement from sale of subsidiary	–	(87)	(87)
<b>Net cash (used in)/generated by investing activities</b>	<b>(25,057)</b>	30,914	167
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity shares	162	–	824
Gold collar contract close	(20,831)	–	–
Treasury and EBT shares purchased	(553)	(2,929)	(4,164)
Capital repayments on finance leases	(137)	(313)	(642)
<b>Net cash used in financing activities</b>	<b>(21,359)</b>	(3,242)	(3,982)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(43,057)</b>	46,235	57,487
Exchange (losses)/gains	(328)	168	(190)
<b>Total (decrease)/increase in cash and cash equivalents</b>	<b>(43,385)</b>	46,403	57,297
Cash and cash equivalents at the start of the period	122,596	65,299	65,299
<b>Cash and cash equivalents at the end of the period</b>	<b>79,211</b>	111,702	122,596

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

## 1. BASIS OF PREPARATION

The Group adopted IFRS with effect from 1 April 2007 and prepared its annual consolidated financial statements under IFRS for the year ended 31 March 2008, the first annual reporting date for which the Group was required to apply IFRS. The unaudited interim consolidated financial statements which are for the six month period ended 30 September 2008, have therefore been prepared in accordance with the recognition and measurement principles of reporting standards that are either already in issue, as adopted by the European Union (EU) and effective at 31 March 2009, or are expected to be adopted and effective at 31 March 2009.

The interim consolidated financial statements do not include all of the information required for full annual financial statements. The interim financial information has not been audited but it has been reviewed under the International Standard on Review Engagements (UK and Ireland) 2410 of the Auditing Practices Board. The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 31 March 2008 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985.

The accounting policies applied are consistent with those applied in the financial statements for the year ended 31 March 2008.

## 2. PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS

Profit before tax and exceptional items is calculated as follows:

	<b>6 months ended 30 September 2008</b>	6 months ended 30 September 2007	Year ended 31 March 2008
	<b>US\$000</b>	US\$000	US\$000
Operating profit	<b>2,634</b>	16,552	48,038
Add back exploration impairment	<b>7,981</b>	–	–
Exchange (losses)/gains	<b>(328)</b>	168	(190)
Net finance income	<b>1,499</b>	1,943	4,559
	<b>11,786</b>	18,663	52,407

### 3. EXCEPTIONAL ITEMS

	<b>6 months ended 30 September 2008</b>	6 months ended 30 September 2007	Year ended 31 March 2008
	<b>US\$000</b>	US\$000	US\$000
Profit/(loss) on gold collar MTM	<b>24,768</b>	(10,525)	(36,025)
Profit on disposal of non-current asset investments	–	8,908	8,904
Profit on disposal of discontinued operations	–	12,297	12,297
Profit on disposal of property, plant and equipment	<b>2,333</b>	–	–
Exploration impairment	<b>(7,981)</b>	–	–
Exceptional profit/(loss) before taxation	<b>19,120</b>	10,680	(14,824)
Taxation	<b>(5,599)</b>	2,947	10,087
Exceptional profit/(loss) after taxation	<b>13,521</b>	13,627	(4,737)
Minority interests	<b>424</b>	–	–
Attributable to equity shareholders of the parent company	<b>13,945</b>	13,627	(4,737)

#### **GOLD COLLAR MARK TO MARKET**

At 31 March 2008 the Group had sold call options over 190,000 ounces at a strike gold price of US\$755/oz expiring at a rate of 10,000 ounces per month between January 2010 and July 2011, and purchased put options over 400,000 ounces at a strike gold price of US\$600/oz expiring at a rate of 10,000 ounces per month between April 2008 and July 2011. At 31 March 2008 the London closing gold price was US\$918/oz. On 13 August the Group closed out 65,000 call options for a cost of US\$10.8 million and on 11 September the remaining 125,000 call options and 350,000 put options were closed out for a further US\$10.0 million. As a result of the decrease in price up to the date of the close outs, the gold collar liability reduced from US\$45.6 million at 31 March 2008 to US\$20.8 million. This resulted in a pre-tax profit of US\$24.8 million in the 6 months ended 30 September 2008.

#### **PROFITS ON DISPOSAL**

The profit on disposal of property, plant and equipment in the 6 months ended 30 September 2008 arose on the Group's disposal of a ball mill, previously purchased for Group use, to Monument Mining Limited for 8,125,003 shares and 8,125,003 warrants at C\$0.50, thereby realising a profit on disposal of US\$2.3 million. Profits on disposal in the prior year principally related to the sale of ZGC and the Buffalo Reef prospect.

#### **EXPLORATION IMPAIRMENT**

Following evaluation of the exploration portfolio, a decision has been made to impair US\$8.0 million of deferred exploration expenditure on projects that the Company does not intend to advance.

### 4. EARNINGS PER SHARE

Total earnings per share are analysed in the table below for continuing and discontinued operations. The table below also shows earnings per share before exceptionals.

	<b>6 months ended 30 September 2008</b>	6 months ended 30 September 2007	Year ended 31 March 2008
Weighted average number of shares:			
– number of shares with voting rights	<b>120,582,104</b>	120,024,715	120,186,174
– effect of share options in issue	<b>1,873,876</b>	1,923,320	2,070,535
– total used in calculation of diluted earnings per share	<b>122,455,980</b>	121,948,035	122,256,709

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

## 4. EARNINGS PER SHARE (CONTINUED)

	6 months ended 30 September 2008	6 months ended 30 September 2007	Year ended 31 March 2008
	US\$000	US\$000	US\$000
<b>Earnings per share from continuing operations</b>			
Profit after tax on continuing operations	22,462	18,021	23,647
Less minority interests	24	1,755	4,144
Profit after tax and minorities	22,438	16,266	19,503
Earnings per share:			
– basic (cents)	18.61	13.55	16.23
– diluted (cents)	18.32	13.34	15.95
<b>Earnings per share before exceptionals</b>			
Profit after tax and minorities	22,438	25,111	28,348
Adjustments:			
Deduct profits on disposal of fixed asset investments	(2,333)	(21,205)	(21,201)
Add back/(deduct) loss/(gain) on gold collar	(24,768)	10,525	36,025
Add/(less) deferred tax on gold collar	6,935	(2,947)	(10,087)
Add back exploration impairment	7,981	–	–
Less deferred tax on exploration impairment	(1,336)	–	–
Less minorities on exploration impairment	(424)	–	–
Profit before exceptions after tax and minorities	8,493	11,484	33,085
Earnings per share:			
– basic (cents)	7.04	9.57	27.53
– diluted (cents)	6.94	9.42	27.06
<b>Profit/(loss) per share from discontinued operations</b>			
Profit/(loss) after tax on discontinuing operations plus minority interests	–	8,264	8,264
Profit/(loss) after tax and minorities	–	8,845	8,845
Earnings per share:			
– basic (cents)	–	7.37	7.36
– diluted (cents)	–	7.25	7.23

## 5. OTHER FINANCIAL ASSETS

Other financial assets represent the fair value of the Company's interest in Dynasty Gold Corporation and Monument Mining Limited.

## 6. NON-CURRENT LIABILITIES

Other financial liabilities represented the fair value liability of the Group's gold collar which is described in note 3. The collar was completely closed out in the 6 months ended 30 September 2008.

Other liabilities include a US\$9.5 million mine closure provision representing management's best estimate of the cost of mine closure at its operations in Malaysia and Indonesia. The charge to the income statement for the six months ended 30 September 2008 was US\$721,000 (2007: US\$1.15 million) and is calculated on each operation's life of mine.

## 7. SEGMENTAL REPORTING

September 2008	notes	UK (head office)	Malaysia	Indonesia	Total
		US\$000	US\$000	US\$000	US\$000
<b>INCOME STATEMENT</b>					
<b>Revenue</b>		–	33,360	17,278	50,638
<b>Cost of sales</b>		978	(23,677)	(13,957)	(36,656)
Cash production costs:					
– mining		–	(11,747)	(5,263)	(17,010)
– deferred stripping		–	4,552	–	4,552
– processing		–	(5,854)	(4,121)	(9,975)
– overheads		–	(1,116)	(2,654)	(3,770)
– royalties		–	(2,318)	(135)	(2,453)
		–	(16,483)	(12,173)	(28,656)
Changes in inventory		–	(1,792)	1,006	(786)
Other cost of sales	(a)	984	(2,236)	(1,165)	(2,417)
Depreciation and amortisation	(b)	(6)	(3,166)	(1,625)	(4,797)
<b>Gross profit</b>		978	9,683	3,321	13,982
Administrative expenses and share based payments		(3,367)	–	–	(3,367)
Exploration impairment		(5,209)	–	(2,772)	(7,981)
<b>Operating (loss)/profit</b>		(7,598)	9,683	549	2,634
Profit on disposal of property, plant and equipment		2,333	–	–	2,333
Net finance items – gold collar MTM		24,768	–	–	24,768
– other		1,662	174	(665)	1,171
<b>(Loss)/profit before taxation</b>		21,165	9,857	(116)	30,906
<b>Analysed as:</b>					
(Loss)/profit before tax and exceptionals		(727)	9,857	2,656	11,786
Exceptional items (see note 3)		21,892	–	(2,772)	19,120
		21,165	9,857	(116)	30,906
Taxation		(4,398)	(3,148)	(898)	(8,444)
<b>Profit/(loss) for the period</b>		16,767	6,709	(1,014)	22,462
Attributable to:					
Equity shareholders of the parent company		16,767	6,709	(1,038)	22,438
Minority interests		–	–	24	24
<b>EBITDA</b>	(c)	(2,383)	12,849	4,946	15,412
<b>BALANCE SHEET</b>					
Non-current assets		25,905	54,212	43,005	123,122
Inventories		–	7,161	11,025	18,186
Trade and other receivables		590	1,813	9,149	11,552
Cash and bank balances		64,915	8,131	6,165	79,211
<b>Total assets</b>		91,410	71,317	69,344	232,071
Current liabilities		3,038	12,202	8,506	23,746
Non-current liabilities		2,508	4,839	10,545	17,892
<b>Total liabilities</b>		5,546	17,041	19,051	41,638
<b>Net assets</b>		85,864	54,276	50,293	190,433
<b>CASH FLOW STATEMENT</b>					
Profit/(loss) for the period		16,767	6,709	(1,014)	22,462
Adjustments for non-cash items	(d)	(17,871)	6,141	5,960	(5,770)
Movements in working capital		384	(5,220)	1,855	(2,981)
Net cash generated from operations		(720)	7,630	6,801	13,711
Net interest received/(paid)		1,789	185	(475)	1,499
Tax paid		–	(1,779)	(10,072)	(11,851)
Purchase of property, plant and equipment		(37)	(8,687)	(7,063)	(15,787)
Deferred exploration expenditure		(99)	(1,144)	(7,080)	(8,323)
Other cash movements	(e)	(22,634)	–	–	(22,634)
<b>Total decrease in cash and cash equivalents</b>		(21,701)	(3,795)	(17,889)	(43,385)

(a) Other cost of sales represents costs not directly related to production;

(b) Includes amounts in respect of the amortisation of closure provisions at Penjom and North Lanut, respectively;

(c) EBITDA represents earnings before exceptional items, interest, tax and depreciation and amortisation, and is calculated by adding back the exploration impairment and depreciation and amortisation to operating profit. EBITDA is commonly used as an indication of underlying cash generation; it is not defined by IFRS;

(d) Adjustments for non-cash items include depreciation, exploration impairment, share based payments, movement in provision, taxation in the income statement and non-operating items in the income statement;

(e) Other cash movements include deferred consideration paid, close out of the Group's gold collar, cash flows from financing activities, and exchange losses.

## 7. SEGMENTAL REPORTING (CONTINUED)

September 2007	notes	UK (head office) US\$000	Malaysia US\$000	Indonesia US\$000	Total continuing operations US\$000	Tajikistan (discont'd) US\$000	Total US\$000
<b>INCOME STATEMENT</b>							
<b>Revenue</b>		–	<b>30,343</b>	<b>24,959</b>	<b>55,302</b>	<b>4,765</b>	<b>60,067</b>
<b>Cost of sales</b>		<b>1,843</b>	<b>(19,010)</b>	<b>(14,454)</b>	<b>(31,621)</b>	<b>(8,751)</b>	<b>(40,372)</b>
Cash production costs:							
– mining		–	(9,138)	(5,218)	(14,356)	(3,526)	(17,882)
– deferred stripping		–	2,382	–	2,382	–	2,382
– processing		–	(4,081)	(2,351)	(6,432)	(1,730)	(8,162)
– overheads		–	(1,128)	(2,457)	(3,585)	(1,254)	(4,839)
– royalties		–	(2,126)	(271)	(2,397)	(298)	(2,695)
		–	(14,091)	(10,297)	(24,388)	(6,808)	(31,196)
Changes in inventory		–	(1,986)	2,203	217	(178)	39
Other cost of sales	(f)	1,851	(1,352)	(998)	(499)	(1,647)	(2,146)
Depreciation and amortisation	(g)	(8)	(1,581)	(5,362)	(6,951)	(118)	(7,069)
<b>Gross profit/(loss)</b>		<b>1,843</b>	<b>11,333</b>	<b>10,505</b>	<b>23,681</b>	<b>(3,986)</b>	<b>19,695</b>
Administrative expenses		(3,143)	–	–	(3,143)	–	(3,143)
<b>Operating (loss)/profit</b>		<b>(1,300)</b>	<b>11,333</b>	<b>10,505</b>	<b>20,538</b>	<b>(3,986)</b>	<b>16,552</b>
Profit on disposal of non-current asset investments		8,908	–	–	8,908	–	8,908
Profit on disposal of discontinued operations		–	–	–	–	12,297	12,297
Net finance items – gold collar MTM		(10,525)	–	–	(10,525)	–	(10,525)
– other		2,747	236	(872)	2,111	–	2,111
<b>(Loss)/profit before taxation</b>		<b>(170)</b>	<b>11,569</b>	<b>9,633</b>	<b>21,032</b>	<b>8,311</b>	<b>29,343</b>
<b>Analysed as:</b>							
Profit/(loss) before tax and exceptionals		1,447	11,569	9,633	22,649	(3,986)	18,663
Exceptional items (see note 3)		(1,617)	–	–	(1,617)	12,297	10,680
		(170)	11,569	9,633	21,032	8,311	29,343
Taxation		3,896	(3,595)	(3,312)	(3,011)	(47)	(3,058)
<b>Profit for the period</b>		<b>3,726</b>	<b>7,974</b>	<b>6,321</b>	<b>18,021</b>	<b>8,264</b>	<b>26,285</b>
Attributable to:							
Equity shareholders of the parent company		3,726	7,974	4,566	16,266	8,845	25,111
Minority interests		–	–	1,755	1,755	(581)	1,174
<b>EBITDA</b>	(h)	<b>(1,292)</b>	<b>12,914</b>	<b>15,867</b>	<b>27,489</b>	<b>(3,868)</b>	<b>23,621</b>
<b>BALANCE SHEET</b>							
Non-current assets		35,598	25,470	24,785	85,853	–	85,853
Inventories		–	7,028	7,807	14,835	–	14,835
Trade and other receivables		2,764	3,470	2,797	9,031	–	9,031
Cash and bank balances		88,028	11,823	11,851	111,702	–	111,702
<b>Total assets</b>		<b>126,390</b>	<b>47,791</b>	<b>47,240</b>	<b>221,421</b>	<b>–</b>	<b>221,421</b>
Current liabilities		4,827	8,139	8,596	21,562	–	21,562
Non-current liabilities	(i)	24,618	3,055	6,012	33,685	–	33,685
<b>Total liabilities</b>		<b>29,445</b>	<b>11,194</b>	<b>14,608</b>	<b>55,247</b>	<b>–</b>	<b>55,247</b>
<b>Net assets</b>		<b>96,945</b>	<b>36,597</b>	<b>32,632</b>	<b>166,174</b>	<b>–</b>	<b>166,174</b>
<b>CASH FLOW STATEMENT</b>							
Profit for the period		3,726	7,974	6,321	18,021	8,264	26,285
Adjustments for non-cash items	(j)	(15,723)	5,176	8,674	(1,873)	165	(1,708)
Movements in working capital		6,877	(183)	(495)	6,199	(12,191)	(5,992)
Net cash generated from operations		(5,120)	12,967	14,500	22,347	(3,762)	18,585
Net interest (paid)/received		2,557	236	(850)	1,943	–	1,943
Tax paid		–	(1,129)	(789)	(1,918)	(47)	(1,965)
Purchase of property, plant and equipment		(8)	(6,490)	(1,515)	(8,013)	(222)	(8,235)
Deferred exploration expenditure		(645)	(786)	(4,535)	(5,966)	(209)	(6,175)
Other cash movements	(k)	38,353	–	–	38,353	3,897	42,250
<b>Total increase in cash and cash equivalents</b>		<b>35,137</b>	<b>4,798</b>	<b>6,811</b>	<b>46,746</b>	<b>(343)</b>	<b>46,403</b>

(f) Other cost of sales represents costs not directly related to production;

(g) Includes amounts in respect of the amortisation of closure provisions at Penjom and North Lanut, respectively;

(h) EBITDA represents earnings before exceptional items, interest, tax and depreciation and amortisation, and is calculated by adding back depreciation and amortisation to operating profit. EBITDA is commonly used as an indication of underlying cash generation; it is not defined by IFRS;

(i) Non-current liabilities for UK (head office) include US\$20.1 million mark to market liability on the Group's gold collar;

(j) Adjustments for non-cash items include depreciation, share based payments, movement in provision, taxation in the income statement and non-operating items in the income statement;

(k) Other cash movements include net proceeds on disposals, deferred consideration paid, cash flows from financing activities, and exchange gains.

# DIRECTORS AND ADVISERS

## **EXECUTIVE DIRECTORS**

J G Henry – Chief Executive Officer

A M Norris – Finance Director

## **NON-EXECUTIVE DIRECTORS**

N G McNair Scott – Chairman

Sir Richard Brooke Bt.

M J Donoghue

J F Newman

R A Pilkington

R S Robertson

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