

# AVOCET MINING PLC

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FOR IMMEDIATE RELEASE

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## Interim results for the six months ended 30 September 2000

### HIGHLIGHTS

- Group sustains first half profit despite realised gold prices falling 8%
- Higher than expected gold production of 51,800 ounces, up 33% from last year
- Gold ore resources confirmed at 684,000 ounces with additional potential identified
- Tungsten demand outstrips mine production which was up 247% from last year
- Tungsten prices have increased 28% since August 2000

	6 months to 30 Sep. 1999	6 months to 31 Mar. 2000	Year to 31 Mar. 2000	6 months to 30 Sep. 2000
	£'000	£'000	£'000	£'000
Turnover	9,207	13,134	22,341	11,915
Gross profit/(loss)	(269)	3,047	2,778	2,218
Operating profit/(loss)	(1,002)	2,786	1,784	885
Net profit/(loss)	(1,465)	1,043	(422)	271
Profit (loss) per share	(2.2p)	1.6p	(0.6p)	0.4p
Average spot gold price	US\$267/oz	US\$293/oz	US\$280/oz	US\$278/oz
Gold production	38,900 ozs	50,900 ozs	89,800 ozs	51,800 ozs
Average tungsten price *	US\$39.5/mtu	US\$43.3/mtu	US\$41.4/mtu	US\$43.0/mtu
Tungsten production	17,300 mtus	38,700 mtus	56,000 mtus	42,700 mtus

\* Average of London Metal Bulletin quotes for a metric tonne unit of tungsten concentrates)



## CHAIRMAN'S STATEMENT

### Financial Results

The group made a profit after tax for the first half of the fiscal year ending 31 March 2001 of £0.3 million, or 0.4p per share, on turnover of £11.9 million. This compares with the first half of fiscal 1999's loss of £1.5 million, or 2.2p per share, on turnover of £9.2 million. These results also compare with the group's maiden half year profit of £1 million reported for the second half of 1999 when the average gold price realised was 8% higher.

Gross profit amounted to £2.2 million (1999: £0.3 million loss). This was after deferring £0.8 million of costs for the above-average stripping of waste at the Penjom gold mine in Malaysia which were fully expensed in 1999. Operating profit was £0.9 million (1999: £1.0 million loss) which was after an exchange loss of £0.6 million on US dollar denominated debt. Interest and administrative costs were about the same as last year at £0.5 million and £0.7 million, respectively.

Net cash inflow from operating activities improved to £1.9 million (1999: £0.2 million inflow). This was net of a £1.3 million purchase of tungsten stocks. With capital expenditures of £1.0 million (£0.8 million), and the repayment of £1.4 million of debt (1999: £0.2 million), there was a decrease in cash balances of £1.1 million (1999: £1.2 million decrease).

### Gold

The average spot price of gold was US\$278/oz compared with US\$267/oz and US\$293/oz in the first and second halves, respectively, of 1999. With a gold hedging programme that was implemented in the second half of 1999, the average gold price realised during that period was US\$304/oz compared with US\$281/oz in the first half of 2000. At present, the group has 10,000 ozs pledged under hedging contracts that expire on 29 January 2001.

Gold production from Penjom in the first half continued an improving trend with a better than expected 51,800 ozs (1999: 38,900 ozs). Ore tonnage milled totaled 293,000 tonnes (1999: 245,000 tonnes) with mined ore grades being maintained at above 7 grams/tonne. Excluding 2,700 ozs. of production from a retreatment facility installed in March 2000, process recovery rates averaged 78% (1999: 65%). Total cash operating costs including royalties and overheads were US\$215/oz (1999: US\$199/oz). The increase was largely due to higher mining costs, including the equivalent of US\$24/oz of waste removal costs in excess of the mine's average for the remainder of its ore resources.

A preliminary estimate of Penjom's ore resources made in April 2000 indicated that remaining resources at that time were 3.9 million tonnes containing 794,000 ozs of gold at a cut-off grade of 2 grams/tonne. A comprehensive review of these resources has just been completed by independent geologists from which a stricter and more definitive interpretation of the ore resources and their geologic setting has been derived. As a result, the preliminary estimate has been revised to a higher grade but lower tonnage resource of 2.8 million tonnes of ore containing 684,000 ozs of gold. This is still comparable to an ore resource base containing 400,000 ozs when Penjom commenced production four years ago. Exploration within 40,000 acres of concessions at Sungai Teris in central Malaysia has identified gold anomalies of sufficient strength for the next stage of evaluation involving two kilometres of trenching.

## Tungsten

London Metal Bulletin quotations for tungsten concentrates averaged US\$43.0 per metric tonne unit (1999: US\$39.5/mtu) during the period. This price improvement has accelerated in recent months to US\$52.5/mtu currently. Principal reasons are the apparent depletion of Russian stockpiles of tungsten concentrates, and China's progress with the rationalisation of its substantial tungsten industry.

Improving market conditions permitted Beralt, the group's tungsten mining operation in Portugal, to continue its expansion of production to 42,700 mtus of tungsten concentrates compared with 17,300 mtus and 38,700 mtus in the first and second halves, respectively, of 1999. Even so, demand for Beralt's concentrates exceeded its production. Therefore, Beralt purchased, at an advantageous price, 53,000 mtus of concentrates representing its stock that had been held by its previous owner. Cash operating costs were reduced by 10% compared with the second half of 1999.

Higher tungsten prices have not rerieved the closure of the Bishop tungsten processing plant in California since it would not be profitable at current and likely margins for its end products. Bishop's permanent closure proceeded to plan and was fully provided for in the group accounts at 31 March 2000.

## Outlook

### **Gold**

Penjom should exceed its production target of 100,000 ozs of gold for the year. However, should current gold prices persist in the range of US\$260-US\$270 per ounce, the mine's net cash flows will not be as strong as those of last year. Our better understanding of Penjom's geology and mineralisation has further improved prospects for additional resources both at the mine and in its vicinity. Realising this potential is the group's highest priority for an expanded exploration programme that will also seek out other opportunities in the region.

### **Tungsten**

At current tungsten prices, Beralt should experience positive cash flows for the remainder of the year even after capital improvements to stabilise its operations for a current production target of approximately 109,000 mtus of concentrates per year. This target is still less than half of present customer demand, and with the possibility of the long awaited turnaround in the tungsten market continuing, additional increases to production are planned subject to financing and the availability of skilled labour.

Nigel McNair Scott

13 December 2000

## **Independent Review Report to Avocet Mining PLC**

### **Introduction**

We have been instructed by the company to review the financial information set out on pages 5 to 8 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### **Directors' Responsibilities**

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

### **Review Work Performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of Interim Financial Information" issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

### **Review Conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2000.

Grant Thornton  
Registered Auditors  
Chartered Accountants

London  
14 December 2000

## Avocet Mining PLC

### Consolidated Profit and Loss Account

	<i>6 months to 30 September 2000 Unaudited £000</i>	<i>6 months to 30 September 1999 Unaudited £000</i>	<i>Year ended 31 March 2000 Audited £000</i>
<b>Turnover</b>			
Continuing Operations	10,896	7,629	18,831
Discontinued Operations	1,019	1,578	3,510
	<b>11,915</b>	9,207	22,341
Cost of Sales	<b>(9,697)</b>	(9,476)	(19,563)
<b>Gross profit/(loss)</b>	<b>2,218</b>	(269)	2,778
Foreign Exchange	<b>(628)</b>	-	383
Other administrative expenses	<b>(705)</b>	(733)	(1,377)
Total administrative expenses	<b>(1,333)</b>	(733)	(994)
<b>Operating profit/(loss)</b>			
Continuing operations	<b>885</b>	(612)	2,713
Discontinued operations	-	(390)	(929)
<b>Operating profit/(loss)</b>	<b>885</b>	(1,002)	1,784
Exceptional loss on termination of operations in USA	-	-	(1,254)
Net Interest	<b>(560)</b>	(487)	(982)
<b>Profit/(Loss) on ordinary activities before taxation</b>	<b>325</b>	(1,489)	(452)
Tax on profit/(loss) on ordinary activities	<b>(94)</b>	-	(7)
<b>Profit/(Loss) on ordinary activities after taxation</b>	<b>231</b>	(1,489)	(459)
Equity minority interest	<b>40</b>	24	37
<b>Profit/(loss) for the financial year retained</b>	<b>271</b>	(1,465)	(422)
<b>Profit/(loss) per share</b>	<b>0.4p</b>	(2.2p)	(0.6p)

## Avocet Mining PLC Consolidated Balance Sheet

	<i>30 September 2000 Unaudited £000</i>	<i>30 September 1999 Unaudited £000</i>	<i>31 March 2000 Audited £000</i>
<b>Fixed assets</b>			
Intangible - deferred exploration costs	521	304	479
Tangible assets	26,426	27,150	26,279
	26,947	27,454	26,758
<b>Current assets</b>			
Stocks	5,209	4,376	4,517
Debtors due within one year	1,042	1,287	1,010
Debtors due after more than one year	1,746	797	834
Cash at bank and in hand	1,861	447	2,901
	9,858	6,907	9,262
<b>Creditors: amounts falling due in less than one year</b>	(7,638)	(5,967)	(7,003)
<b>Net current assets</b>	2,220	940	2,259
<b>Total assets less current liabilities</b>	29,167	28,394	29,017
<b>Creditors: amounts falling due after more than one year</b>	(8,659)	(10,758)	(8,866)
<b>Provision for liabilities and charges</b>	(1,966)	(1,598)	(2,952)
	18,542	16,038	17,199
<b>Capital and reserves</b>			
Called up share capital	16,424	16,424	16,424
Share premium account	23,600	23,600	23,600
Other Reserves	12,590	12,590	12,590
Profit and loss account	(33,911)	(36,455)	(35,281)
<b>Equity shareholders' funds</b>	18,703	16,159	17,333
Equity minority interests	(161)	(121)	(134)
	18,542	16,038	17,199

**Avocet Mining PLC**  
**Consolidated Cash Flow Statement**

	<i>30 September</i> <i>2000</i> <i>Unaudited</i> <i>£000</i>	<i>30 September</i> <i>1999</i> <i>Unaudited</i> <i>£000</i>	<i>31 March</i> <i>2000</i> <i>Audited</i> <i>£000</i>
<b>Net cash inflow from operating activities</b>	<b>1,918</b>	225	4,718
<b>Returns on investment and servicing of finance</b>			
Interest received	76	30	27
Interest paid	<b>(636)</b>	(517)	(1,009)
<b>Net cash outflow from returns on investment and servicing of finance</b>	<b>(560)</b>	(487)	(982)
<b>Taxation</b>	-	-	(1)
<b>Capital expenditure and financial investment</b>			
Purchase of fixed assets	<b>(1,031)</b>	(778)	(2,027)
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(1,031)</b>	(778)	(2,027)
<b>Financing</b>			
Repayment of borrowings	<b>(1,386)</b>	(183)	(482)
<b>Net cash outflow from financing</b>	<b>(1,386)</b>	(183)	(482)
<b>(Decrease)/ increase in cash</b>	<b>(1,059)</b>	(1,223)	1,226

**Avocet Mining PLC**  
**Consolidated Statement of Total Recognised Gains and Losses**

	<i>6 months to 30 September 2000 Unaudited £000</i>	<i>6 months to 30 September 1999 Unaudited £000</i>	<i>Year ended 31 March 2000 Audited £000</i>
Profit/(loss) attributable to shareholders	271	(1,465)	(422)
Exchange translation adjustments	1,099	(450)	(319)
<b>Total recognised gains and losses</b>	<b>1,370</b>	<b>(1,915)</b>	<b>(741)</b>

Notes:

1. The calculation of profit per share is based on profits of £271,000 (1999: loss £1,465,000) and on the weighted average of 65,696,530 shares in issue (1999: 65,696,530).
2. The financial information contained in this interim statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the year ended 31 March 2000 are an abridged version of the full accounts which received an unqualified auditors' report and have been filed with the Registrar of Companies.
3. This statement is being sent to Shareholders and will be available from the Company's Registered Office.