

# **AVOCET MINING PLC**

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For immediate release

13 July 2000

## **Preliminary audited results for the year ending 31 March 2000**

### **HIGHLIGHTS**

- Operating profit £1.8million (1999: £20.7million loss)
- Net cash inflow from operations £4.7million (1999: £5.5million outflow)
- Overall loss including exceptional item £0.46 million (1999: £21.64 million)
- Gold production up 69% to record 89,800 ozs
- Gold cash cost reduced to US\$188/oz
- US tungsten operations closed.

For further information:

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## CHAIRMAN'S STATEMENT

I am pleased to be able to report that the company made a maiden pre-tax profit in the second half of 1999 amounting to £1 million, a trend that we hope to be able to maintain. Following a pre-tax loss of £1.5 million in the first half this improvement reflects the progress that has been made by the company. Operationally our Penjom gold mine in Malaysia had a progressively good year, producing 89,800 ozs of gold, a 69% increase on 1999. This reflects the successful introduction of new processing technology to cope with the carbonaceous ore in the mine. As a result overall mill recovery increased from 62% to 70%, and continues to improve.

The average gold price realised for the year was US\$288 per oz, a decline of 3% over last year, and compared to an average spot price of US\$280. As at year end we had a modest short position under our hedging lines, which has since been liquidated at a profit. The average cash cost of production including royalties for the year was US\$188/oz, a 14% improvement on last year (US\$215/oz). As a point of reference this puts Penjom in the cheapest third of Australian gold producers.

In tungsten, following a difficult year in the market, all current production at the Beralt mine in Portugal is now committed under sales contracts, and full one shift production has now been resumed. We took the decision however to close permanently the Bishop processing facility, recognising its inability to compete with chemical plants in China and Russia. The process of closure is on track and is fully provided for.

### Financial Results

The better operational situation, especially in the gold business, together with a material curtailment of overheads (a £1.85 million reduction) has led to the better financial result, an operating profit of £1.78 million versus a loss of £20.7 million last year. After providing £1.25 million for the closure of Bishop, the loss for the year was £0.46 million (1999: £21.6 million). Turnover at £22.3 million was up 32%, mainly reflecting the increased gold sales. The turnaround in the company's fortunes is most clearly reflected in the operating cash flow figures, where an inflow of £4.7 million reverses an outflow of £5.4 million last year.

### Gold

Most production for the year came from the Kalampong East pit at the northern end of the property. The primary ore is predominantly carbonaceous but high grade, an average of 7.9 grams/tonne being milled, 54% higher than in 1999 (5.12 g/t). As the pit has deepened the stripping ratio has increased and averaged 26:1 for the year. Mining costs at US\$1.46 per cubic metre, utilising mostly local contractors and small gear under mine supervision, are very competitive by world standards.

Undoubtedly the key to Penjom's excellent performance has been the breakthroughs made on the metallurgical front. We have developed a state of the art primary/gravity circuit that utilises intensive cyanidation of a sulphide/gold concentrate. This is supplemented by what we believe is the first continuous flow resin-in-leach plant to be operated successfully on carbonaceous ore outside Russia and Uzbekistan. This has been largely developed in-house and the achievement is a great credit to the operating team in Malaysia.

Drilling to extend and in-fill the Penjom resource continued during the year. A preliminary re-estimation of remaining resources at a 2.0 g/t cut-off made in April indicated an overall

remaining resource of 794,000 ozs; the October, 1998, figure was 770,000 ozs. A definitive new resource estimation will be available in September.

Taking advantage of our local presence and knowledge of the geology of the Malaysian gold belt we have begun exploration at Sungai Teris in the south of Pahang state under an agreement with a local company, Tekai Mining. At present we are conducting geochemical surveys over potentially anomalous areas to define drill targets. We believe the prospect to have promise.

### Tungsten

During the year the market has been disappointingly static, reflecting continued over-supply from a combination of stockpile releases and supply from China, not helped by a resumption of official US DLA stockpile sales in September, 1999. Even so, year on year prices are increased slightly, APT by 4% and concentrates by 11%, suggesting that we might at last be coming out of a six year trough. Certainly offtake and prices for Beralt's products have improved in recent months.

We have continued the process of rationalising our tungsten business. Last year we provided against our investment in the Bishop chemical processing plant; during this year we took the decision to close it permanently, recognising that despite being competitive in some added value products such as AMT and pressed powders, the basic tungsten conversion business could not compete. We have a closure plan agreed with the local authorities and agencies which is proceeding. Closure on the basis of the submitted closure plan will involve on current estimates a net cash outlay of US\$1 million, after taking account of cash bonding in place, liquidation of stocks and asset sales. A final provision of £1.25 million is included in this year's results.

Because of the market situation the Beralt mine in Portugal had another difficult year. With the help of a governmental training subsidy, we were able to sustain operations while cutting back production by a further 40% to 56,000 mtus. Despite its lower production Beralt's cash cost of production fell 6% to US\$45 per mtu W03, reflecting to some extent the weaker Euro. Increased offtake for the mine's product and improved prices allowed full one shift production to be resumed in January. Since then, production and efficiency have been hampered by various technical problems with the shaft and conveyor system, and by some intermittent strike action. The latter has now stopped and the mine is now working normally with all current production committed under sales contracts.

### Outlook

With recoveries at Penjom now reaching 80% and the gold price seemingly trading in the range US\$280 to US\$300/oz, Penjom should continue to enjoy the healthy cash flows experienced in the second half of last year. Maintaining the efficiency of the operation as the mine deepens is our greatest challenge, and we are looking at all our options going forward. The stability of operation now achieved gives us a more solid platform for further development of the gold business both in Malaysia and beyond. We believe the technological expertise we have gained from overcoming the problems associated with the processing of carbonaceous ores at Penjom could well be used elsewhere.

As regards tungsten we have reduced our business to the operation of one of the most productive tungsten mines in the world and are set up to take advantage of any real recovery in the price.

Our efforts this year have resulted in a substantial cut in our central overheads, the restructuring and reduction of our long term debt, and a healthier cash position. With an executive and operating team in tune and focused the company has the opportunity it has not had for some years to consolidate this position and to build the business.

All this has been achieved because of the efforts and skill of all of our employees worldwide, to whom on behalf of the Board and shareholders I give my deepest thanks.

Nigel McNair Scott

**AVOCET MINING PLC**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2000**

	Note	<b>2000</b> <b>£000</b>	1999 £000
<b>Turnover</b>			
Continuing Operations		<b>18,831</b>	11,331
Discontinued Operations		<b>3,510</b>	5,546
		<b>22,341</b>	16,877
Cost of Sales		<b>(19,563)</b>	(23,925)
<b>Gross profit/(loss)</b>		<b>2,778</b>	(7,048)
Exceptional provisions		-	(10,814)
Other administrative expenses		<b>(994)</b>	(2,840)
Total administrative expenses		<b>(994)</b>	(13,654)
<b>Operating profit/(loss)</b>			
Continuing Operations		<b>2,713</b>	(9,569)
Discontinued Operations		<b>(929)</b>	(11,133)
		<b>1,784</b>	(20,702)
Exceptional loss on termination of operations in USA	1	<b>(1,254)</b>	-
Net interest		<b>(982)</b>	(938)
<b>Loss on ordinary activities before taxation</b>		<b>(452)</b>	(21,640)
Tax on loss on ordinary activities		<b>(7)</b>	(2)
<b>Loss on ordinary activities after taxation</b>		<b>(459)</b>	(21,642)
Equity minority interest		<b>37</b>	1,725
<b>Loss for the financial year retained</b>		<b>(422)</b>	(19,917)
<b>Loss per share</b>	2	<b>(0.6p)</b>	(32.7p)

**AVOCET MINING PLC**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2000**

	<b>2000</b>	1999
	<b>£000</b>	£000
<b>Fixed assets</b>		
Intangible - deferred exploration costs	479	310
Tangible assets	26,279	28,138
	26,758	28,448
<b>Current assets</b>		
Stocks	4,517	4,954
Debtors	1,010	1,815
Debtors due after more than one year	834	796
Cash at bank and in hand	2,901	1,674
	9,262	9,239
<b>Creditors: amounts falling due in less than one year</b>	<b>(7,003)</b>	<b>(5,228)</b>
<b>Net current assets</b>	<b>2,259</b>	<b>4,011</b>
<b>Total assets less current liabilities</b>	<b>29,017</b>	<b>32,459</b>
<b>Creditors: amounts falling due in more than one year</b>	<b>(8,866)</b>	<b>(12,817)</b>
<b>Provisions for liabilities and charges</b>	<b>(2,952)</b>	<b>(1,665)</b>
	<b>17,199</b>	<b>17,977</b>
<b>Capital and reserves</b>		
Called up share capital	16,424	16,424
Share premium account	23,600	23,600
Other reserves	12,590	12,590
Profit and loss account	(35,281)	(34,540)
	<b>17,333</b>	<b>18,074</b>
<b>Shareholders' funds</b>	<b>17,333</b>	<b>18,074</b>
Equity minority interests	(134)	(97)
	<b>17,199</b>	<b>17,977</b>

## AVOCET MINING PLC

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ended 31 March 2000	<b>2000</b>	1999
	<b>£000</b>	£000
<b>Statement of total recognised gains and losses</b>		
Loss for financial year	<b>(422)</b>	(19,917)
Exchange translation adjustments	<b>(319)</b>	64
	<hr/>	<hr/>
Total recognised gains and losses	<b>(741)</b>	(19,276)
<b>Reconciliation of movement in group shareholders' funds</b>		
Total recognised gains and losses	<b>(741)</b>	(19,276)
New share capital subscribed	-	7,488
Share premium	-	9,390
Merger reserve	-	64
	<hr/>	<hr/>
Net change in shareholders' funds	<b>(741)</b>	(2,334)
Opening shareholders' funds	<b>18,074</b>	20,408
	<hr/>	<hr/>
Closing shareholders' funds	<b>17,333</b>	18,074

**AVOCET MINING PLC**

**CONSOLIDATED CASH FLOW STATEMENT  
AS AT 31 MARCH 2000**

	<b>2000</b>	1999
	<b>£000</b>	£000
<b>Net cash inflow/(outflow) from operating activities</b>	<b>4,718</b>	(5,447)
<b>Returns on investment and servicing of finance</b>		
Interest received	27	173
Interest paid	<b>(1,009)</b>	(1,111)
<b>Net cash outflow from returns on investment and servicing of finance</b>	<b>(982)</b>	(938)
<b>Taxation</b>	<b>(1)</b>	(2)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	<b>(2,026)</b>	(2,378)
Proceeds from disposal of tangible fixed assets	<b>164</b>	-
Deferred exploration costs	<b>(165)</b>	(167)
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(2,027)</b>	(2,545)
<b>Financing</b>		
Issue of shares	-	16,878
Repayments of borrowings	<b>(482)</b>	(7,255)
<b>Net cash (outflow)/inflow from financing</b>	<b>(482)</b>	9,623
<b>Increase in cash</b>	<b>1,226</b>	691

## AVOCET MINING PLC

### Notes to the Financial Statements

#### **1. Exceptional loss on termination of operations in USA**

The exceptional loss on termination of operations in North America represents the directors' best estimate of the amount required to satisfactorily close the Bishop facility and the Pine Creek mine.

#### **2. Loss per ordinary share**

The calculation is based on losses of £422,000 (year to 31 March 1999: £19,917,000 loss) and on a weighted average of 65,696,530 shares in issue (1999: 60,833,787).

#### **3. Financial Information**

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

The summarised balance sheet at 31 March 2000 and the summarised profit and loss account, summarised cash flow statement and associated notes for the year then ended have been extracted from the Group's 2000 statutory financial statements upon which the auditors opinion is unqualified and does not include any statement under Section 237 of the Companies Act 1985.