



## News Release

For Immediate Release

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### **Q2 GOLD PRODUCTION**

### **PRODUCTION AND CASH COSTS IN LINE WITH EXPECTATIONS**

### **- ON TRACK FOR PRODUCTION INCREASE IN H2**

Avocet Mining PLC ("Avocet" or "the Company") announces gold production in its second quarter to 30 September 2008 of 27,756 ounces, in line with the expectations set out in the Company's Q1 production release of 31 July 2008 and in line with production in the prior quarter of 28,022 ounces. All gold sales were into the spot market during the quarter with an average realised price of US\$870/oz compared with US\$684/oz in Q2 last year.

Furthermore, the Company is on track to deliver its planned second half production increase, following progress on the initiatives outlined in July, and updated below, to enhance grades at Penjom and recovery at North Lanut. Cash costs continued to reflect high consumable prices, especially diesel and kerosene as a result of record world oil prices. Average cash costs in Q2 were US\$506/oz, 3% below the Q1 cost of US\$521/oz due to a higher deferred stripping adjustment at Penjom.

Appendix 1 sets out key operating statistics including production and cash costs by quarter for this year and the prior year for both Penjom and North Lanut. Appendix 2 sets out Penjom's waste and ore volumes and mining cost per tonne for each year, as well as the calculation of stripping costs deferred in Q2 FY2009.

#### **Penjom, Malaysia**

Gold production in Q2 of 17,793 ounces was 5% below Q1. Pending the imminent transition to higher grade mining areas, Q2 ore continued to be sourced predominantly from the bottom of the main Kalampong pit where grades have been lower than anticipated. In response, changes to the mine plan have been implemented and good progress was made in the quarter in accessing the new mining areas on the east wall and in the Janik and Manik areas to the south of the main pit. Stripping was accelerated to bring forward mining in these higher grade areas during the second half. A stream diversion was completed on 19 September to facilitate mining of Janik.

Before adjustment for deferred stripping, Penjom's cash cost per ounce of US\$576/oz was the same as the Q1 cost, with the overall impact of fuel related costs equal in each quarter. The high strip ratio of 42.9 in Q2 meant that after deferred stripping adjustment, Penjom's Q2 reported cash cost was US\$420/oz compared with US\$481/oz in Q1 when the stripping ratio was 29.4. In the second half, Penjom's cash cost per ounce before deferred stripping is expected to fall due to higher production and lower fuel and kerosene prices, although mine maintenance costs will rise as more of the truck fleet enters a component overhaul programme. Reported cash costs, after deferred stripping adjustment, will depend on the level of stripping in Q3 and Q4. The strip ratio is expected to fall significantly in the second half as mining focuses again on ore mining after a period of heavy waste stripping in Q2.

## North Lanut, Indonesia

North Lanut's gold production in Q2 of 9,963 ounces was 7% above Q1 as higher tonnes processed more than compensated for lower recovery. Ore treated was highly sulphidic throughout the quarter, and recovery at 31% was therefore lower than the 38% achieved in Q1, which benefited from a higher proportion of oxide material. During Q2 several projects were progressed with a view to enhancing recovery, as outlined in the Company's Q1 release. A new mobile crusher and a leach plant upgrade were commissioned at the end of the quarter and work continued on the new HLP3 leach pad which will provide separate cells for the different ore types. In addition, a decision was made to bring forward mining of the Effendi deposit to the north of the Riska pit, as Effendi ore is mainly oxide and therefore yields a higher recovery from dump leaching. Pre-treatment of Riska's sulphide ore is being evaluated to improve subsequent leaching.

North Lanut's cash cost of US\$661/oz was 10% above Q1, with diesel prices and lime consumption both higher, the latter reflecting the more sulphidic material treated and the timing of lime dosing. In the second half, costs are expected to benefit from lower fuel prices and higher production.

Further details of production and cash costs will be provided in the interim results to be announced on 12 November 2008.

Jonathan Henry, Chief Executive Officer, commented:

*"Good progress has been made on a wide range of measures intended to improve gold production at both mines during the second half of FY2009 and to address the ongoing challenges of grade and recovery we have been facing over the last year. Together with promising exploration results I view these efforts as encouraging for the future."*

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## **Notes to Editors**

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

### *Background to operations*

The Penjom gold mine is Malaysia's largest gold producer and was developed by Avocet after applying modern technology to grass roots exploration in an area of historic mining. The mine was commissioned in December 1996 with reserves of 223,000 ounces. Successful resource development, particularly over the last five years, means Penjom has produced over one million ounces of gold to date and still has nearly one million ounces of resources. This resource is expected to grow further following a major drilling programme this year which includes deep drilling to help assess the potential for underground mining in the near future, where areas of high grade ore are known to exist. In November 2005, the Company announced a significant increase in Penjom's life of mine plan to over half a million ounces, which resulted in the design of a much larger pit to allow the additional ounces to be mined. Over the last year Penjom has expanded its mining and plant capacity accordingly. Avocet was able to overcome initial problems of highly carbonaceous ore at Penjom by developing unique processing systems including complex gravity circuits and resin-in-leach (RIL) technology. These processes have potential applications at other carbonaceous orebodies.

The North Lanut gold mine in North Sulawesi, Indonesia, was developed by Avocet from the exploration stage and has produced over 200,000 ounces since it was commissioned in 2004. Recent high grade exploration drilling results indicate the potential for increases in resources and mine life. In 2002 Avocet purchased its 80 per cent interest in PT Avocet Bolaang Mongondow (PT ABM), an Indonesian company holding a 6th generation Contract of Work (CoW), from Newmont Mining Corporation. The North Lanut gold mine is located within the CoW, which includes exploration and mining rights over approximately 50,000 hectares in an area highly prospective for gold. An Indonesian company, PT Lebong Tandai, owns the remaining 20 per cent.

## Appendix 1 – Key operating statistics by quarter

	FY2008					FY2009	
	Q1	Q2	Q3	Q4	Total	Q1	Q2
<b>Penjom</b>							
Ore mined (tonnes)	155,794	160,625	59,842	185,006	561,267	179,034	86,082
Waste mined (tonnes)	3,970,228	3,574,009	4,490,503	4,662,010	16,696,750	4,746,786	4,139,994
Ore and waste mined (tonnes)	4,126,022	3,734,634	4,550,345	4,847,016	17,258,017	4,925,820	4,226,076
Ore processed (tonnes)	140,185	150,974	151,386	153,600	596,145	190,516	179,059
Average ore head grade (g/t)	5.62	4.67	4.26	4.87	4.84	3.44	3.53
Process recovery rate	91%	92%	88%	89%	91%	89%	88%
<b>Gold Produced (oz)</b>	<b>23,069</b>	<b>20,895</b>	<b>18,253</b>	<b>21,507</b>	<b>83,724</b>	<b>18,729</b>	<b>17,793</b>
<b>Cash costs (US\$/oz)</b>							
Mining	188	230	260	283	239	329	313
Processing	86	100	117	88	97	155	168
Royalties and overheads	77	71	86	81	78	92	95
	<b>351</b>	<b>401</b>	<b>463</b>	<b>452</b>	<b>414</b>	<b>576</b>	<b>576</b>
Deferred stripping adjustment	(58)	(49)	(188)	(42)	(80)	(95)	(156)
	<b>293</b>	<b>352</b>	<b>275</b>	<b>410</b>	<b>334</b>	<b>481</b>	<b>420</b>
Mining cost per tonne (US\$)	1.05	1.29	1.04	1.25	1.16	1.25	1.32
<b>North Lanut</b>							
Ore mined (tonnes)	550,052	590,024	515,230	313,704	1,969,011	383,787	357,627
Waste mined (tonnes)	337,962	238,830	283,722	283,982	1,144,496	220,408	305,008
Ore and waste mined (tonnes)	888,014	828,854	798,952	597,686	3,113,507	604,195	662,635
Ore processed (tonnes)	469,191	573,719	451,665	188,013	1,682,588	383,787	437,917
Average ore head grade (g/t)	2.05	3.23	2.47	1.79	2.54	1.99	2.30
Process recovery rate	51%	39%	58%	136%	54%	38%	31%
<b>Gold Produced (oz)</b>	<b>15,733</b>	<b>23,133</b>	<b>20,995</b>	<b>14,322</b>	<b>74,183</b>	<b>9,293</b>	<b>9,963</b>
<b>Cash costs (US\$/oz)</b>							
Mining	161	116	126	174	140	251	295
Processing	70	54	67	86	67	198	229
Royalties and overheads	83	62	83	147	89	152	137
	<b>314</b>	<b>232</b>	<b>276</b>	<b>407</b>	<b>296</b>	<b>601</b>	<b>661</b>
<b>Total</b>							
<b>Gold Produced (oz)</b>	<b>38,802</b>	<b>44,028</b>	<b>39,248</b>	<b>35,829</b>	<b>157,907</b>	<b>28,022</b>	<b>27,756</b>
<b>Cash costs (US\$/oz)</b>							
Mining	177	170	189	239	192	303	307
Processing	80	76	90	87	83	169	190
Royalties and overheads	79	66	84	108	83	112	110
	<b>336</b>	<b>312</b>	<b>363</b>	<b>434</b>	<b>358</b>	<b>584</b>	<b>607</b>
Deferred stripping adjustment	(35)	(23)	(87)	(25)	(42)	(63)	(101)
	<b>301</b>	<b>289</b>	<b>276</b>	<b>409</b>	<b>316</b>	<b>521</b>	<b>506</b>

## Appendix 2 – Penjom Q2 waste and ore volumes

		Tonnes mined			Bench Cubic Metres mined <sup>(1)</sup>		
		Q2 FY2009	Q2 FY2008	Variance	Q2 FY2009	Q2 FY2008	Variance
Waste		4,139,994	3,574,009	16%	1,369,206	1,721,628	-20%
Ore		86,082	160,625	-46%	31,883	59,486	-46%
Total		<u>4,226,076</u>	<u>3,734,634</u>	<u>13%</u>	<u>1,401,089</u>	<u>1,781,114</u>	<u>-21%</u>
Mining cost per tonne/BCM	US\$	1.32	1.29	3%	3.97	2.67	49%
Stripping ratio <sup>(1) (2)</sup>	x				42.9	28.9	
Life of mine stripping ratio	x				20.2	22.5	
Excess stripping ratio	x				22.8	6.4	
Excess waste stripping <sup>(3)</sup>	Million BCM				0.7	0.4	
Excess stripping cost deferred <sup>(4)</sup>	US\$m				2.8	1.0	
	US\$oz				156	49	

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

(2) Ratio of waste to ore.

(3) Represents the amount of waste BCM mined in the period in excess of the life of mine stripping ratio. Calculated as: excess stripping ratio multiplied by ore BCM mined.

(4) Represents cost of waste mining carried out as part of the long term pit expansion, rather than associated with the ore mined in the period.