



## **Avnel Confirms Commencement of Drilling at Kalana Main and Announces Filing of AIF and Year-End Consolidated Financial Statements and MD&A**

**ST. PETER PORT, GUERNSEY, March 31, 2015** – Avnel Gold Mining Limited (“Avnel” or the “Company”) (TSX: AVK) is pleased to confirm that drilling has commenced at its 80%-owned Kalana Main Project in south-western Mali. The Company is also announcing that it has filed its 2014 Annual Information Form (“AIF”) and Consolidated Financial Statements and related Management Discussion & Analysis (“MD&A”) for the three and twelve-month periods ended December 31, 2014 on SEDAR.

### **Drill Program**

Avnel is pleased to confirm that drilling began last week in support of the Company's previously announced Definitive Feasibility Study (“DFS”) for the an open pit mining operation at the Kalana Main Project. Geodrill Limited has been contracted to complete a 141-hole infill, definition, and extension drill program at the Kalana Main deposit. The planned program consists of 24 diamond core holes over 4,500 metres (“m”) and 117 reverse-circulation drill holes over 19,000 m for a total of 23,500 m. The program is expected to provide for a steady flow of drilling related news over the coming months and the results are to be included in the next revision of the Mineral Resource estimate for the Kalana Main deposit. The next revision of the Mineral Resource estimate is scheduled for completion near the end of the third quarter of 2015 and is expected to form the basis for a DFS, which is scheduled to be completed in the first quarter of 2016.

### **2014 Full Year Highlights**

- Reported the March 2014 MRE and a positive PEA for a open pit mining operation at the Kalana Main Project
- Completed private placements for gross proceeds of approximately C\$10.4 million
- Reported the September 2014 MRE, an updated Mineral Resource for the Kalana Project:
  - Diluted Indicated Mineral Resource of 1.96 million ounces (19.7 million diluted tonnes at a diluted grade of 3.10 g/t Au at a cut-off of 0.9 g/t Au)
  - Total Indicated Mineral Resources increased 55% to 2 million ounces since the PEA (13.6 million tonnes grading 4.36 g/t Au at a 0.9 g/t Au cut-off)

### **Subsequent to Year-end:**

- Commenced a DFS that is scheduled to be completed in the first quarter of 2016
- Reported the March 2015 MRE, an updated Mineral Resource for the Kalana Project:
  - Diluted Indicated Mineral Resource of 2.17 million ounces at the Kalana Main deposit (22.1 million diluted tonnes at a diluted grade of 3.06 g/t Au at a 0.9 g/t Au cut-off)
  - Total Indicated Mineral Resources increased 67% to 2.15 million ounces since the PEA (15.2 million tonnes grading 4.40 g/t Au at a 0.9 g/t Au cut-off)
  - Total Inferred Mineral Resource increased 24% to 0.38 million ounces since the PEA (2.18 million tonnes grading 5.33 g/t Au at a 0.9 g/t Au cut-off)
- Initiated a 141-hole, 23,500 m drill program in support of the DFS at Kalana Main

- Appointed Mr. Roy Meade as President
- Appointed Mr. Andrew King and Mr. Keith McCandlish to the Board of Directors

## **Outlook**

On February 5, 2015, the Company announced, as a result of the increase in Mineral Resources reported in the Company's news release dated October 15, 2014 (relative to the PEA) and the analysis of preliminary engineering work, that the Company had decided to advance the Kalana Main Project directly to the DFS level and discontinue the Preliminary Feasibility Study. The Company has determined that this course of action would result in the DFS remaining on-track for completion near the end of 2015 following the completion of a previously planned drill program for the first half of 2015. The Company also announced that it had increased the planned drill program to 23,500 m over 141-holes at a budgeted cost of \$3.8 million. Drilling completed during the first half of 2015 is planned to be included in the next revision of the Mineral Resource estimate for the Kalana Main deposit, which is scheduled to be completed near the end of the third quarter of 2015. The next revision of the Mineral Resource estimate is expected to form the basis for the DFS.

On March 26, 2015, the Company announced the March 2015 MRE, an updated Mineral Resource Statement for the Kalana Project that included the Kalana Main deposit, historic Kalana tailings, and an initial Mineral Resource for Kalanako, a satellite deposit located approximately 3 kilometres ("km") northeast of the Kalana Main deposit. The announcement reported that total Indicated Mineral Resources had increased to 2.15 million ounces (15.2 million tonnes grading 4.40 grams of gold per tonne of material ("g/t Au") at a 0.9 g/t cut-off prior to dilution). Similarly, it was reported that total Inferred Mineral Resources had increased to 0.38 million ounces (2.18 million tonnes grading 5.33 g/t Au at a 0.9 g/t Au cut-off prior to dilution). As part of this announcement, it was also reported that the diluted pit-constrained Indicated Mineral Resource above a diluted cut-off of 0.9 g/t Au for the Kalana Main deposit had increased to 22.1 million tonnes grading 3.06 g/t Au (diluted) containing 2.17 million ounces. For additional information on the March 2015 MRE, please refer to the Company's news release dated March 26, 2015 and its 2014 AIF, both of which are available on SEDAR and the Company's website.

As a result of these further increases to the Mineral Resources at Kalana Main, combined with the expected results from the current drill program, the Company has determined that the DFS should assess a larger operation than the 3,000 tonnes per day envisioned in the PEA. Accordingly, to account for the time required to complete the appropriate process plant engineering and mine planning, the Company extended the timeline slightly to complete the DFS from late 2015 to the first quarter of 2016.

The Kalana Main Project is expected to be sufficiently advanced for the Company to consider a construction decision to develop an open pit mine in the first quarter 2016, subject to the availability of project financing and a positive DFS. Consequently, the Company continues to forecast commencing open pit mine development during 2016.

Operations at the small, Soviet-era, underground mine at Kalana are scheduled to produce approximately 2,550 tonnes of material per month and we hope that development during 2015 will enable underground mining to continue into 2016. The primary sources of underground material are scheduled to be from the veins 1 and 20C, which were developed for mining during 2014.

Development will continue to focus on Vein 1 and Vein 20C on or below the 180 m level in 2015. Following the depletion of the underground material, the Company plans to continue to process surface stockpiles. Surface stockpiles are currently estimated to be 55,000 tonnes grading 7.7 grams of gold per tonne of material ("g/t Au") containing 13,000 ounces and are forecast to provide mill feed until the end of third quarter of 2016.

As a result, Avnel is forecasting gold production of 8,100 ounces from 49,000 tonnes of material at an average grade of 6.1 g/t Au at a budgeted recovery rate of 80% in 2015. Mill feed is scheduled to consist of 23,000 tonnes of underground material and 26,000 tonnes from surface stockpiles.

Under the prevailing gold price environment, the underground mine is not profitable and continues to be operated principally for exploration purposes and to maintain socio-economic stability in the local community; however, the underground mine is benefiting from the relative strengthening of the dollar as local goods and services, which are denominated in CFA, represented approximately 88% of the total goods and services purchased in 2014. The Company plans to continue underground mining through the completion of the DFS to enable a smooth transition for the workforce to a proposed open pit mining operation at the Kalana Main Project.

### Results for the Three and Twelve-Months Ended December 31, 2014

The Company has filed its Consolidated Financial Statements and associated MD&A for the year-ended December 31, 2014 and its 2014 AIF, all of which are available on SEDAR and on the Company's website.

A summary of selected annual information is presented below:

#### Selected Annual Information

(In thousands of U.S. dollars except per share amounts)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total	12,024	14,574	16,804
Revenue.....			
Total Expenses.....	19,114	19,294	18,420
Other Income/ (expense).....	(3,211)	1,565	6,406
Net (loss)/profit	(10,296)	(3,155)	4,786
Net (loss)/profit from continuing operations attributable to owners of the parent.....	(8,482)	(1,405)	7,762
Net (loss)/profit per share attributable to owners of the parent	(\$0.038)	(\$0.005)	\$0.040
Basic weighted average shares outstanding	223,119,693	191,743,724	191,743,724
Balance Sheet			
Working Capital Surplus	9,817	8,629	12,226
Total Assets	25,930	26,524	31,051
Total Non-current liabilities	8,593	3,004	3,855
Shareholders' Equity	28,072	31,845	32,750

## **Full Year 2014 Results of Operations**

Metal revenues reduced to \$12,024,000 in the year to December 31, 2014 from \$14,574,000 in the year to December 31, 2013. This was as a result of a 10% decrease in the realised average sales price of gold from \$1,407 per ounce in 2013 to \$1,262 per ounce in 2014, together with an 8% year-over-year decrease in ounces sold from 10,334 ounces in 2013 to 9,504 ounces in 2014.

Total expenses reduced by 1% from \$19,294,000 in 2013 to \$19,114,000 in 2014. Included in 2013 was a release of withholding tax provision for \$1,005,000 relating to services to SOMIKA outside Mali. Excluding the provision release, total expenses decreased by 6% in 2014 relative to 2013. Administration expenses increased from \$2,110,000 in 2013 to \$3,766,000 in 2014. In 2013 administrative expenses were reduced by the released withholding tax provision. The majority of the remaining 2014 increase relates to increased activity of the Company. Cash costs of production for 2014 increased slightly from \$1,329 per ounce to \$1,336 per ounce.

Avnel recorded a net loss of \$10,296,000 (\$0.038 attributable loss per share) for the year ended December 31, 2014 compared to a net loss of \$3,155,000 (\$0.005 attributable loss per share) in the year to December 31, 2013. Included in 2014 is a charge for the fair value of derivative financial instruments of \$2,901,000, arising from the issue of warrants in the third quarter of 2014, compared to a profit of \$1,600,000 in 2013. These fair value accounting (losses)/gains reported have no cash effect on the Company.

As compared to the balance sheet as at December 31, 2013, Avnel's cash and cash equivalents as at December 31, 2014 increased by \$1,910,000 from \$5,799,000 to \$7,709,000 arising from the equity issue in the year partly offset by cash used in operations and technical studies.

There was a working capital surplus of \$9,817,000 as at December 31, 2014 compared to a working capital surplus of \$8,629,000 as at December 31, 2013. The working capital figures reported exclude the other derivative financial liability movements reported on the Company's Consolidated Statement of Financial Position, which does not represent a cash liability for the Company.

Total assets reduced from \$26,524,000 as at December 31, 2013 to \$25,930,000 at December 31, 2014.

Total non-current liabilities increased from \$3,004,000 as at December 31, 2013 to \$8,593,000 at December 31, 2014, mainly on the recognition of the liability related to the fair value of derivative financial instruments of \$5,457,000, arising from the issue of warrants in the third quarter of 2014.

Total stockholders' equity reduced to \$28,072,000 as at December 31, 2014 from \$31,845,000 as at December 31, 2013. The retained deficit increased by \$8,482,000 as a result of the net loss in the year to December 31, 2014.

## **Associated Documents**

This press release should be read in conjunction with the Company's interim consolidated financial statements for the three and twelve-month periods ended December 31, 2014 and December 31,

2013 and associated Management's Discussion and Analysis ("MD&A"), which are available from the Company's website, [www.avnelgold.com](http://www.avnelgold.com), and on SEDAR ([www.sedar.com](http://www.sedar.com)).

## **ABOUT AVNEL GOLD**

Avnel Gold is a TSX-listed gold mining, exploration and development company with operations in south-western Mali in West Africa. The Company's focus is to develop its 80%-owned Kalana Main Project from a small underground mine into a low-cost, open pit mining operation. The Company is also advancing several nearby satellite deposits on the 387 km<sup>2</sup> 30-year Kalana Exploitation Permit.

On March 31, 2014, the Company reported a Mineral Resource estimate and the results of a Preliminary Economic Assessment ("PEA") prepared by Snowden Mining Industry Consultants. The PEA outlines a 14-year open-pit mine life at the Kalana Main Project recovering 1.46 million ounces of gold at an average "all-in sustaining cost" of \$577 per ounce with an initial capital cost of \$149 million. Utilising a gold price of \$1,110 per ounce and a 10% discount rate, the PEA reported a net present value ("NPV") of \$194 million after-tax and imputed interest, and an internal rate of return ("IRR") of 53% on a 100% project basis. Similarly, utilising a 5% discount rate and a \$1,300 per ounce gold price, the NPV was reported as \$424 million and an IRR of 74%. The Company is now advancing the project to Definitive Feasibility, which is scheduled to be completed in the first quarter of 2016.

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*No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained in this news release.*

## **CAUTIONARY STATEMENTS**

### **Forward-Looking Statements**

This news release includes certain "forward-looking statements". All statements, other than statements of historical fact, included in this release, including the future plans and objectives of Avnel Gold, are forward-looking statements that involve various risks and uncertainties. There can be no assurance that forward-looking statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from Avnel Gold's expectations include, among others, risks related to international operations, the actual results of current exploration activities, conclusions of economic evaluations and changes in project parameters as plans continue to be refined as well as future prices of gold and silver, as well as those factors discussed in the section entitled "Risk Factors" in Avnel Gold's Annual Information Form, which is available on SEDAR ([www.sedar.com](http://www.sedar.com)). Although

Avnel Gold has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

### **Preliminary Economic Assessment**

The Kalana Main Preliminary Economic Assessment (“PEA”) is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as Mineral Reserves; thus, there is no certainty that the economic benefits indicated in the PEA will be realised. The PEA is subject to a number of assumptions, including, among others that an Environmental and Social Impact Assessment (“ESIA”) will be completed within the required timeline, all required permits will be obtained in a timely manner, the company will continue to have the support of local community, a constant regulatory environment and no material increase occurs to the estimated costs. The Kalana Main PEA is based upon an 8.54 million tonne Indicated Mineral Resource grading 4.53 g/t Au containing 1.25 million ounces and a 2.09 million tonne Inferred Mineral Resource grading 3.76 g/t Au containing 0.25 million ounces utilising a cut-off grade of 0.9 g/t Au. The PEA also includes 0.66 million tonnes of tailings grading 1.80 g/t Au that are classified as an Indicated Mineral Resource. Investors are cautioned not to assume that all or any portion of the Mineral Resource will ever be converted into a Proven and Probable Mineral Reserve. The NI 43-101-compliant technical report for the PEA and the Mineral Resource Estimate was prepared by Allan Earl, Executive Consultant, and Ivor Jones, Executive Consultant, of Snowden Mining Industry Consultants, each of whom are independent Qualified Persons, as defined in NI 43-101. The PEA was filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on March 31, 2014.

### **TECHNICAL INFORMATION**

Except where indicated, the disclosure contained or incorporated into this press release of an economic, scientific or technical nature, has been summarised or extracted from the *National Instrument 43-101 – Standards of Disclosure for Mineral Projects* (“NI 43-101”) compliant technical report titled “Kalana Mineral Resource Estimate and Preliminary Economic Assessment – Mali, NI 43-101 Technical Report” dated effective 31 March 2014 (the “Kalana Technical Report”), prepared by Snowden Mining Industry Consultants Pty Ltd. (“Snowden”). The Kalana Technical Report was prepared by Mr. Allan Earl, Executive Consultant, and Mr. Ivor W.O. Jones, Executive Consultant, both of Snowden at that time. Both Mr. Allan Earl and Mr. Ivor W.O. Jones are independent “Qualified Persons” as such term is defined in NI 43-101. Readers should consult the Kalana Technical Report to obtain further particulars regarding the Kalana Project, the Kalana Main Project, and the underground Kalana Gold Mine. The Kalana Technical Report, which constitutes the current technical report for the Kalana Main Project, was filed on SEDAR on March 31, 2014 and is available for review at [www.sedar.com](http://www.sedar.com).

Information of an economic, scientific, or technical nature in this press release regarding the March 2015 Mineral Resource estimates (the “March 2015 MRE”), as defined above, is summarised or extracted from reports prepared by Denny Jones Pty Ltd (“Denny Jones”). The March 2015 MRE has an effective date of March 19, 2015 and was prepared by Ivor W.O. Jones, Principal Consultant, at Denny Jones.

The Mineral Resources reported in this press release have been classified as Indicated or Inferred Mineral Resources within the meaning of the CIM *Definition Standards for Mineral Resources and Mineral Reserves* (November 2010) prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council. The Mineral Resources may be affected by further infill and exploration drilling that may result in increases or decreases in subsequent resource estimates. The Mineral Resource may also be affected by subsequent assessments of mining, environmental, processing, permitting, taxation, socio-economic, and other factors. Grade has been estimated using Multiple Indicator Kriging ("MIK"). Actual recoveries of mineral products may differ from reported Mineral Reserves and Mineral Resources estimates due to inherent uncertainties in acceptable estimating techniques. In particular, Inferred Mineral Resources have a great amount of uncertainty as to their existence, economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category of Mineral Resource. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into Proven and Probable Mineral Reserves.

Information of a scientific or technical nature in this press release arising since the date of the Kalana Technical Report, excluding the September 2014 MRE (as defined in the Company's news release dated October 15, 2014) and March 2015 MRE, has been prepared under the supervision of Mr. Roy Meade, the Company's President and Dr. Olivier Femenias, the Company's Vice-President, Geology, both of whom are non-independent "Qualified Persons" as such term is defined in NI 43-101.

#### **Non-IFRS Measures**

"Cash Operating Costs" is a non-GAAP and non-IFRS measure that does not have a standardised meaning prescribed by GAAP or IFRS and there may be some variation in the method of computation to other similarly titled measures of other gold mining companies. "Cash Operating Costs" is calculated as reported Production Costs, which includes costs such as mining, processing, administration, non-site costs (transport and refining of metals, and community and environmental), less royalties paid. These costs are then divided by the number of ounces sold to arrive at "Operating Cash Costs Per Ounce Sold".

"All-in Sustaining Cost Per Ounce" is a non-GAAP and non-IFRS measure that does not have a standardised meaning prescribed by GAAP or IFRS and there may be some variation in the method of computation to other similarly titled measures of other gold mining companies. In the PEA, Snowden calculates "All-in Sustaining Cost" is defined as mine site cash operating costs, which includes costs such as mining, processing, administration, but excludes non-site costs (transport and refining of metals and royalties), plus sustaining capital costs, which includes community and environmental costs, plus closure costs. These costs are then divided by the number of ounces produced to arrive at "All-in Sustaining Cost Per Ounce".