

Avnel Gold Mining Limited Announces 2010 Annual Results

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Period ended December 31, 2010.

Results of Operations Exploration

KALANA

ST. PETER PORT, GUERNSEY, March 29 - [IAMGOLD Corporation](#) ("IAMGOLD") continued with the exploration program at Kalana to meet the requirements of the Option Agreement with [Avnel Gold Mining Limited](#) ("Avnel" or the "Company"). During the fourth quarter total expenditure was \$2,342,000 with the cumulative to date expenditure being \$6,604,000. IAMGOLD also paid Avnel the \$1.0 million second Option Agreement fee in August 2010. IAMGOLD has budgeted \$8.0 million for 2011 which includes a 34,500m drill program.

PROJECT MILESTONES ACHIEVED

- An initial drilling campaign was completed between February and August 2010. The campaign included 40 diamond drill holes covering 9,821 metres and 11,646 metres of RC drill holes.
- A second drill campaign commenced in October 2010 and 3,343 metres of diamond drill holes and 16,037 metres of RC drill holes were completed by December 2010. Some assays for the diamond drill holes and RC drill holes are pending. Assay results have been reported in Avnel's press releases dated January 31, 2011 and February 22, 2011 and are available at www.avnelgold.com.
- Re-assaying of all diamond drill holes from the first campaign was completed in January 2011. Re-assaying of approximately 40% of RC drill holes was completed by mid February. All RC drill hole re-assays will be completed in March 2011.
- Termite mound geochemical sampling over the northern 60 km² priority zone and over the remainder of the Kalana Permit has been completed. A total of approximately 21,000 samples have been collected and assay results received for 18,000 samples.
- Geophysical data collection over the whole Kalana Permit and the Fougadian Permit.
- Collection of over 5,000 grab samples from the underground workings in the Kalana Mine and first pass assaying of these samples has been completed.
- Avnel has appointed Strathcona Mineral Services as its technical advisor to the advanced exploration programme being conducted by IAMGOLD.

Highlights

During 2010, diamond drilling and RC drilling has shown the potential for bulk mining at Kalana. IAMGOLD has made significant progress in constructing a detailed and predictive geologic model on the Kalana project. This will allow the optimum design of an appropriately oriented drilling campaign in 2011 to evaluate mineral resources.

Mineralised packages up to 18 metres width have been confirmed by drilling and underground development in the northern area of the Kalana Mine. North of the existing underground workings, vertical and flat dipping quartz veins have been intersected between surface and 100m elevation that may provide early access to bulk mineable ore within the saprolite. The initial results of RC drilling confirm the possibility of these vein packages being an important source of gold mineralisation for an open pit. A new mineralised package of steep, thin, closely packed veins has been exposed by diamond drilling and underground development

between 100m and 180m elevations.

In the southern area of the Kalana Mine the extension of flat dipping, mineralised packages to the east towards Kalana II domain were intersected by diamond and RC drilling, showing the potential for an open pit running west-east over a dip distance of approximately 300m and a strike distance of approximately 150m.

Initial results from diamond and RC drill holes at Kalana II, east of the existing mine, are providing a better understanding of the potential mineralisation than previously interpreted. Results from some of the 2010 RC drilling at Kalana II have been reported and show the potential for mineralised packages that may lead to a significant increase in the existing Mineral Resources at Kalana II.

Initial results from the 2010 RC drill holes at Kalanako, a satellite prospect located 3 kilometres north east of Kalana, are very encouraging. The results indicate that at least two mineralised zones exist, striking north-west as indicated by the geochemical anomaly and, artisanal workings' geophysical structures.

All drill results and hole locations data are shown on Avnel Gold's website www.avnelgold.com and discussed in press releases dated January 31, 2011 and February 22, 2011.

Fougadian Exploration Permit

On December 6, 2010 the Company announced that it had entered into a joint venture arrangements agreement (the "Joint Venture Arrangements Agreement") whereby IAMGOLD has the option to acquire up to an initial 51% interest in Avnel's 90% interest in the Fougadian Exploration Permit. The Fougadian Permit held by Avnel previously comprised 150 sq. km. to the south of and abutting the Kalana Exploitation Permit. Avnel relinquished the southern half of its ground in accordance with the Malian Mining Code and was granted a new exploration licence on the northern half on March 23, 2010. IAMGOLD has applied and received an exploration permit in respect of the southern 75 sq. km. The combined permits are referred to as the "Fougadian Exploration Permit".

Under the terms of the Joint Venture Arrangements Agreement, IAMGOLD will fully fund and satisfy the expenditure requirements of the Fougadian Exploration Permit and, upon establishing a qualifying mineral resource of not less than 250,000 oz of gold, may earn a 51% interest (of Avnel's 90% interest) in the permit. Upon delivery of a pre-feasibility study, IAMGOLD will be entitled to increase its interest to 65%. After delivery of a feasibility study, [IAMGOLD](#) will undertake to procure or provide project financing to develop a mining operation.

Results of Operations

Revenue has decreased to \$14,709,000 in 2010 from \$20,420,000 in 2009. This was as a result of a decrease in gold ounces sold from 19,853 ounces in 2009 to 11,227 ounces in 2010 partly offset by the increase in the average sales price of gold from \$976 per ounce in 2009 to \$1,218 per ounce in 2010. In both 2010 and 2009, other revenue of \$1,000,000 was recognised representing the two IAMGOLD Joint Venture option fees payable in those periods.

Avnel recorded a net loss of \$2,842,000 (\$0.02 loss per share) for the year ended December 31, 2010 compared to a net loss of \$7,895,000 (\$0.10 loss per share) in 2009. Lower depreciation costs were one of the main contributing factors to the decrease in the net loss in 2010 compared to 2009. This resulted from the Company's decision to include mineral reserves between the 180m level and 300m level which had been excluded in December 2008, together with significantly lower production in 2010.

As compared to the balance sheet as at December 31, 2009, Avnel's cash and cash equivalents as at December 31, 2010 increased slightly by \$79,000 from \$2,027,000 to \$2,106,000. Cash provided by financing of \$2,097,000 was used by operating activities \$1,594,000 and net capital expenditures \$461,000.

There was a working capital surplus of \$3,835,000 as at December 31, 2010 compared to working capital deficiency of \$11,264,000 as at December 31, 2009, with the main factors being the August 2010 private placement and debt equitisation.

Total assets decreased from \$25,530,000 as at December 31, 2009 to \$23,384,000 at the end of 2010 with the net value of property, plant and equipment decreasing by \$1,432,000.

All short term debt \$13,986,000 was equitised in August 2010. Shareholders' equity increased to \$18,553,000 as at December 31, 2010 from \$5,139,000 at the end of 2009. This was due to the short term debt being equitised and the private placement in August 2010 partly offset by the losses in 2010. Additional

Paid in Capital increased by \$776,000 due to the warrants issued in August 2010 being fair valued at \$730,000 and employee share options valued at \$46,000. The retained deficit increased by \$2,842,000 as a result of the net loss made in 2010.

Mining Operations

The following table shows the production from the Kalana Gold Mine:

	2010		2009	
Tonnes milled:				
Underground ore		50,238		49,348
Total	50,238		49,348	
Gold grade		- grams per tonne (g/t):		
Underground ore		7.7		12.1
Total	7.7		12.1	
Recovery rate		- %	86.1	86.6
Gold production		- ounces	10,727	16,677
Cost per tonne milled		\$235		\$279
Operating cost per ounce of gold sold			\$1,073	\$788
Operating cost per ounce of gold produced			\$1,103	\$826

Tonnes milled in 2010 were 2% higher than the production achieved in 2009. Gold production at 10,727 ounces in 2010 was 36% lower than 2009 reflecting the significantly lower head grade reducing from 12.1g/t to 7.7g/t.

The gold grade of underground ore mined of 7.7 g/t in 2010 was 36% lower than 12.1g/t obtained in 2009. The gold grade decreased as mining moved into lower grade reserve blocks.

Gold recovery in 2010 decreased to 86.1% from 86.8% as the head grade decreased.

Mine development totalled 1,216 metres in 2010 compared to 651 metres in 2009. Ore development increased to 696 metres in 2010 from 472 metres in 2009 as new ore reserve blocks were opened up on 150m and 180m level.

Ore development was focused on opening up mine reserves at Veins 17, 18, and 18C on 180m level, which is the lowest operating level at No 2 Shaft. The majority of the ore development focused on Vein 17 between 150m and 180m elevations. This was successful in opening up ore reserves to the east and enabled mining to continue through 2010 and into 2011. The 180m level haulage was extended to the north to target potential reserves at Vein 19 and Vein 19A. The development exposed lower grade, narrow steep veins that are not economic for the current underground mine. Based on diamond drill holes drilled during 2010, a winze was started to intersect Vein 20 approximately 20m below the 180m elevation. This may provide ore for mining in 2011. Development below 180m level continued on Veins 18C and Vein 18. These have opened up relatively small ore blocks at grades of 7.0g/t for mining in 2011.

Operating cost of sales for the year ended December 31, 2009 reduced 25% to \$12,454,000 compared with \$16,658,000 in 2009 due to lower labour cost and favourable exchange rates. Cash operating cost of \$235 per tonne milled in 2010 reduced by 16% from the cost in 2009 of \$279 per tonne due to higher efficiency. Cash operating cost per ounce produced of \$1,103 per ounce in 2010 increased from \$826 per ounce in 2009 due to lower gold production, as the mine grade decreased 36%

Liquidity and going concern

On August 5, 2010, the Company completed a private placement of 13,025,000 units of Avnel (the "Private Placement") at a price of C\$0.20 per Unit. Each Unit consisted of one ordinary share of Avnel and one-half of one ordinary share purchase warrant (each whole warrant a "Warrant"). Each Warrant entitles the holder to purchase one ordinary share of Avnel at a price of C\$0.35, at any time for a period of 36 months from the date of issue of the Warrants. Dundee Securities Corporation was the lead agent for the Private Placement. The gross proceeds of the Private Placement were C\$2,605,000 and Avnel intends to use these proceeds for general corporate purposes. IAMGOLD participated in the Private Placement purchasing 5,000,000 units being approximately 3% of the outstanding ordinary shares. On August 10, 2010, IAMGOLD paid the second

option fee of \$1,000,000.

Concurrently with the closing of the Private Placement, Avnel equitised all of its outstanding indebtedness, provided by its related parties Elliott and the Fern Trust, through the issuance of 71,492,382 Units to the holders of such indebtedness at the same unit price for the Private Placement. These transactions eliminated all of Avnel's debt and provide the Company with enhanced financial strength through a debt-free balance sheet to continue working with IAMGOLD to advance the Company's goal of fully exploring the upside potential at its Kalana mine and Permit.

On March 18, 2011 the Company announced a best efforts private placement (the "2011 Private Placement") of up to 25,000,000 units of Avnel (the "Units") (inclusive of the Agent's option to sell additional units) at a price of Cdn. \$0.40 per Unit (the "Issue Price"). Each Unit will consist of one ordinary share of Avnel and one-half of one ordinary share purchase warrant (each whole warrant a "Warrant"). Each Warrant will entitle the holder to purchase one ordinary share of Avnel at a price of C\$0.70, at any time for a period of 18 months from the date of issue of the Warrants. Dundee Securities Ltd. is the lead agent for the Private Placement and may form a syndicate of agents. The gross proceeds of the 2011 Private Placement are expected to be approximately C\$10,000,000 (inclusive of the Agent's option to sell additional units). Avnel intends to use these proceeds for general corporate purposes.

The Annual Financial Statements and Annual Information Form are available on Sedar (www.sedar.com) and the Avnel Gold website (www.avnelgold.com).

ABOUT THE COMPANY

Avnel is a producing gold mining company operating the Kalana Mine in south-west Mali and is engaged in the exploration of the 30-year Kalana Exploitation Permit encompassing 387.4 sq km around and to the south of the Kalana Mine.

Avnel's principal asset is an 80% interest in Société d'Exploitation des Mines d'Or de Kalana ("SOMIKA") which is the holder of the Kalana Exploitation Permit. The Kalana Project is situated in south west Mali. The 387.4 sq km exploitation permit has a NI-43-101 compliant resource of 1,020,000 oz (at an average grade of 10.4 g/t) in the measured and indicated category, and 249,000 oz (at an average grade of 3.4 g/t) in the inferred category. Avnel also holds the Fougadian Exploration Permit covering an area of 75 sq. km. to the south of the main Kalana Exploitation Permit area and abutting it.

Technical Information and Qualified Person/Quality Control Notes

Information in this release arising subsequent to the date of the 2005 Snowden Technical Report regarding the Kalana Gold Mine and exploration activity is provided by Avnel management under the supervision of Roy Meade (a director of the Company) who is a non-independent "Qualified Person" as such term is defined in National Instrument 43-101. Portions of the information are based on assumptions, qualifications and procedures which are not fully described herein.

Forward-Looking Information

This release includes certain statements that may be deemed "forward-looking statements". All statements in this release, other than statements of historical facts are forward-looking statements. Although Avnel believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward looking statements include market prices, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Avnel does not assume any obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

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