

# Avnel Gold Reports that Indicated Resources Increased 55% to 2 Million Ounces at the Kalana Main Project

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ST. PETER PORT, GUERNSEY--(Marketwired - Oct 15, 2014) - [Avnel Gold Mining Ltd.](#) ("Avnel Gold" or the "Company") (TSX:AVK) announces today an updated Mineral Resource estimate for the Company's 80%-owned Kalana Main Project in south-western Mali effective September 30, 2014 (the "September MRE"). The Company is also providing a review of its upcoming work programs for the Kalana Main Project and an update on the Fougadian joint venture agreement.

## Highlights:

- **Indicated Mineral Resource increased 55% to 2 million ounces of gold**  
(13.6 million tonnes grading 4.36 grams of gold per tonne at a 0.9 g/t Au cut-off)
- **Inferred Mineral Resource decreased 60% to 0.10 million ounces of gold**  
(0.7 million tonnes grading 4.24 grams of gold per tonne at a 0.9 g/t Au cut-off)
- **Diluted Indicated Mineral Resource of 1.96 million ounces of gold**  
(19.7 million diluted tonnes at a diluted grade of 3.10 g/t Au)
- **Preliminary Feasibility Study remains on-track for completion near the end of 2014**
- **The Kalana Main Deposit remains open for expansion both at depth and laterally**
- **Drill program to extend areas of known mineralization in Q1 2015**

"The September MRE is an improvement from the March MRE and is predicated on improved interpretation and estimation techniques leading to more refined models. As a result, the confidence in the geologic model of the Kalana Main deposit has increased and more tonnes have been included in the Indicated Resource estimate," stated Howard Miller, Avnel Gold's Chairman and CEO.

"The September MRE is an integral part of a series of studies that are being completed by Snowden, DRA Global and Epoch Resources that will result in a Preliminary Feasibility Study. The PFS is on-track to be completed near the end of the year and will be our first opportunity to declare a Mineral Reserve estimate for a proposed open-pit mine."

"We are also highly encouraged by the Exploration Target described in today's press release that outlines a clear plan for delineating additional mineralization at the Kalana Main deposit, which covers only a small portion of the 387 km<sup>2</sup> Kalana Exploitation Permit."

## Updated Mineral Resource Estimate

On March 31, 2014, the Company reported a Mineral Resource estimate (the "March MRE") and the results of a Preliminary Economic Assessment (the "PEA") prepared by Snowden Mining Industry Consultants ("Snowden"). 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. Utilizing 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, utilizing a 5% discount rate and a \$1,300 per ounce gold price, the NPV was reported as \$424 million and an IRR of 74%.

Following the completion of the PEA, the Company retained Mr. Ivor Jones of Denny Jones Pty Ltd to update the March MRE for the Preliminary Feasibility Study ("PFS"). Mr. Jones was previously an Executive Consultant with Snowden and the Qualified Person that prepared the March MRE. The PFS remains on-track for completion near the end of 2014.

The updated Mineral Resource estimate reported today (the "September MRE") is based upon a total of 133,679 metres ("m") of drilling from 800 drill holes. Data added to the database since the March MRE includes 4,683 new LeachWell assays, and the addition of three Ashanti Gold RC drill holes, four SOMIKA RC drill holes and 20 Russian diamond drill holes totaling 1,287 m. The additional drill holes are all located on the western portion of the Kalana Main deposit and are shown in [Figure 1](#) near the end of this press release. The September MRE utilizes the same 0.9 grams of gold per tonne of material ("g/t Au") economic cut-off developed as part of the PEA and utilized for reporting the March MRE so that the results are comparable.

As a result of the inclusion of this additional data and enhanced interpretation and estimation techniques, refined geological and grade-tonnage models were generated that have increased the confidence in the model of gold mineralization of the Kalana Main deposit. In addition, extensive studies to model and evaluate the potential dilution were undertaken. These studies have improved the understanding of the constraints and mining selectivity in the model, which has resulted in an increase in the confidence of these modifying factors relative to the March MRE. Pit optimization was then used to constrain the diluted September MRE (detailed below) using the same optimization parameters utilized in the PEA. The pit-constrained in situ Mineral Resources presented in this press release supersede the March MRE.

Detailed summaries of the September MRE and the March MRE are presented in [Table 1](#) and [Table 2](#) near the end of this press release, respectively. The following table compares the September MRE to the March MRE:

Mineral Resource Estimate Comparison for the Kalana Main Project <sup>1</sup> (100% Project Basis Reported at a 0.9 g/t Au cut-off utilizing \$1,110/oz Au)									
	September 2014 MRE <sup>2</sup>			March 2014 MRE <sup>2</sup>			% Change		
	Tonnes (millions)	Grade (g/t Au)	Ounces (millions)	Tonnes (millions)	Grade (g/t Au)	Ounces (millions)	Tonnes	Grade	Contained Ounces
<b>INDICATED MINERAL RESOURCES</b>									
Kalana Main	12.9	4.57	1.90	8.5	4.53	1.25	52%	1%	52%
Tailings <sup>3</sup>	0.66	1.8	0.04	0.66	1.8	0.04	0%	0%	0%
<b>TOTAL</b>	<b>13.6</b>	<b>4.36</b>	<b>1.94</b>	<b>9.2</b>	<b>4.33</b>	<b>1.29</b>	<b>48%</b>	<b>1%</b>	<b>50%</b>
<b>INFERRED MINERAL RESOURCES</b>									
Kalana Main	0.7	4.24	0.10	2.1	3.7	0.25	-67%	13%	-60%

1 - Avneel Gold has an 80% equity interest in SOMIKA, the Malian company that owns the Kalana Exploitation Permit

2 - A detailed summary of the September and March MREs is provided in tables 1 and 2 near the end of this press release, respectively

3 - The Kalana tailings are reported at no cut-off as they are expected to be completely mined and reprocessed as per the PEA

The September MRE has been prepared in accordance with the CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council. The September MRE is part of a series of studies for a Preliminary Feasibility Study ("PFS") for the Kalana Main Project that is scheduled to be completed near the end of 2014.

The pit-constrained Indicated Mineral Resource for Kalana Main has increased by 0.65 million ounces to 1.90 million ounces (from 1.25 million ounces), representing a 52% increase in contained ounces, a 52% increase in tonnes and a 1% increase in average grade relative to the March MRE. The increase in the in situ Indicated Resource is largely attributable to the expansion of the pit shell as a result of the pit optimization using the refined models, which include modelled dilution rather than assumed dilution factors and grades as per the PEA. The refined models also contributed to the increase in the Indicated Resource as a portion of the March MRE's Inferred Resource was reclassified as part of the Indicated Resource in the September MRE.

The pit-constrained Inferred Mineral Resource decreased 60% to 0.10 million ounces (from 0.25 million ounces) in the September MRE. The decrease in the Inferred Mineral Resource is primarily due to a 67% decrease in tonnage as a result of the refined models.

The Mineral Resource estimate for the historic tailings from the Kalana Gold Mine is unchanged from the March MRE at 0.04 million ounces.

As discussed previously in this press release, an important contribution to the September MRE was an improvement to the estimation of dilution. The percentage of internal and external dilution and grade was modelled from drilling data and an extensive evaluation of significant intersections (composited intersections that met or exceeded the cut-off criteria inclusive of internal dilution) for the September MRE. As a result of this modelling, the average internal dilution is estimated at 16% at an average grade of 0.30 g/t Au and the average external dilution is estimated at 34% at an average grade of 0.26 g/t Au in the September MRE. This has resulted in an average global dilution estimate of 55% at an average grade of 0.27 g/t Au, which is comparable with 50% dilution assumption at an average grade of 0.20 g/t Au utilized in the PEA.

The addition of local dilution resulted in a portion of the model being below the 0.9 g/t Au cut-off grade and excluded from the Mineral Resource. The resultant pit-constrained and diluted Indicated Mineral Resource above the diluted cut-off grade of 0.9 g/t Au, utilizing the same modifying factors as the PEA, is estimated at 19.7 million tonnes grading 3.10 g/t Au (diluted) containing 1.96 million ounces as detailed in the following table:

Kalana Main Mineral Resource Diluted Estimate - September 2014 (100% Project Basis Above a Diluted Grade of 0.9 g/t Au)									
	Resource Tonnes	Resource Grade	Internal Dilution	External Dilution	Grade Internal	Grade External	Diluted Tonnes	Diluted Grade	Ounces Gold
	(millions)	(g/t Au)	(%)	(%)	(g/t Au)	(g/t Au)	(millions)	(g/t Au)	(millions)
Indicated Resource	12.7	4.57	16%	34%	0.30	0.26	19.7	3.10	1.96

This diluted Kalana Main Indicated Mineral Resource of 1.96 million ounces, combined with the 40,000 ounces of Indicated Mineral Resource from historic tailings, for a total Indicated Mineral Resource of 2 million ounces forms the basis for the PFS.

### Kalana Main Deposit Work Programs

The Kalana Main deposit remains open for expansion both laterally and at depth. As part of the first quarter of 2015 work program, the Company plans to conduct a minimum of 10,000 m of infill and extension drilling. One objective of this drill program is to define extensions to zones of known gold mineralization that are immediately adjacent to the Kalana Main deposit, as shown in [Figure 1](#) near the end of this press release.

Additionally, an important aspect of the grade-tonnage model utilized to prepare the September MRE is that the grade estimation in the zone between the March and September MRE pit shells is based principally upon Fire Assay data and only 8% by the LeachWell Assay method.

The lack of LeachWell data in this zone is meaningful because recent re-assay campaigns on 24,915 samples from Kalana Main have demonstrated that the 50-gram Fire Assays typically understated the average grade of samples relative to the 2-kilogram LeachWell assays by an average of 40%. This understatement of grade is due to the coarse nature of the gold mineralization and the significant difference in the mass and volumes of the samples being assayed between the two methods. Because of the larger mass and volume being assayed, LeachWell is a more appropriate method than Fire Assay for determining gold content at Kalana.

As a result of the success of previous LeachWell re-assay programs at Kalana Main, the Company plans to submit approximately 6,000 existing samples from this zone for LeachWell analysis, which is likely to improve the average grade of this portion of the model.

Drilling and LeachWell assays that are completed during the first half of 2015 are planned to be included in the next revision of the Mineral Resource estimate for the Kalana Main deposit, which is scheduled for the middle of 2015. The next revision of the Mineral Resource estimate is expected to form the basis for a Definitive Feasibility Study ("DFS") that is scheduled to be completed in the fourth quarter of 2015.

### Kalana Main "Exploration Target"

As part of the Mineral Resource estimation process, Mr. Jones defined an Exploration Target below the

September MRE pit shell to assist in the direction of upcoming exploration programs.

An iteration of the optimization process for the September MRE was a pit shell that included mineralization down to the bottom of the model (the "Conceptual Pit"), approximately 400 m below surface, whereas the maximum pit depth used to constrain the September MRE is approximately 330 m. Accordingly, the Exploration Target is defined as the portion of the model between the September MRE pit shell and the Conceptual Pit, which is shown in [Figure 2](#) and [Figure 3](#) near the end of this press release.

The Exploration Target, which is outside the September MRE reported today, is estimated to be between 8.3 and 8.8 million tonnes grading between 4.2 and 4.9 g/t Au for an estimated 1.1 to 1.4 million ounces of contained in situ gold.

*The aforementioned assessment of potential quantity and grade is conceptual in nature and there has not been sufficient exploration to define a Mineral Resource and the preliminary economics are not sufficient to support a reasonable expectation for economic extraction. It is uncertain if further exploration will result in any portion of the Exploration Target being delineated as a Mineral Resource.*

The interpretation that is the basis of the Exploration Target is that it is likely that the grade in the lower portions of the model have been underestimated due to the predominance of lower grade Fire Assay data. Similar to the zone between the March and September MRE pit shells, only 9% of the assay data within the Exploration Target was determined using the LeachWell Assay method.

Given the potential of the Exploration Target, combined with the success of previous LeachWell re-assay programs at Kalana, the Company plans to submit at least 2,000 existing samples from the Exploration Target for LeachWell analysis to further assess the potential of this zone.

It is the Company's expectation that utilization of LeachWell assaying on samples below the September MRE pit shell is likely to increase the average grade of the model within the Exploration Target. As a result, this may result in the delineation of additional Mineral Resources and improve the economic attractiveness of the Exploration Target. *It is uncertain if further exploration will result in any portion of the Exploration Target being delineated as a Mineral Resource.*

### **Fougadian Exploration Permit Joint Venture**

The Company is reporting today that the [IAMGold Corp.](#) ("IAMGOLD") has exited the Fougadian joint venture. The Fougadian Exploration permits covers an area of 150 km<sup>2</sup> and are located immediately to the south of the Company's Kalana Exploitation Permit. Under the terms of the option agreement, IAMGOLD had the option to acquire an initial 51% interest in Avnel Gold's 90% share of the Fougadian Exploration permits.

IAMGOLD's exploration database for the Fougadian Project is in the process of being transferred to Avnel Gold and assessed by our technical team.

### **Qualified Persons**

Mr. Ivor Jones, (BSc. Hons), MSc, FAusIMM, CP Geo., of Denny Jones Pty Ltd. is an independent Qualified Person as defined under National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101"). Mr. Jones has reviewed and approved the contents of this press release.

Mr. Allan Earl, Associateship in Mining Engineering, FAusIMM of Snowden Mining Industry Consultants is an independent Qualified Person as defined by NI 43-101. Mr. Earl has reviewed and approved the contents of this press release.

Mr. Roy Meade, BSc (Honours) Mining Engineering and Professional Engineer (UK), Executive Director, Operations for [Avnel Gold Mining Ltd.](#) is a Qualified Person as defined by NI 43-101. Mr. Meade has reviewed and approved the contents of this press release.

Dr. Olivier Femenias, MSc, PhD, EurGeol, Vice-President, Geology for [Avnel Gold Mining Ltd.](#) is a Qualified Person as defined by NI 43-101. Dr. Femenias has reviewed and approved the contents of this press release.

## **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. Utilizing 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, utilizing 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 Preliminary Feasibility, which is scheduled to be completed near the end of 2014.

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

## **CAUTIONARY 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 categorized as Mineral Reserves; thus, there is no certainty that the economic benefits indicated in the PEA will be realized. 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 utilizing 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.

### **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.

## Non-IFRS Measures

"All-in Sustaining Cost Per Ounce" is a non-GAAP and non-IFRS measure that does not have a standardized 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".

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