

# Avnel Gold Announces Commencement of Definitive Feasibility Study and \$3.8 Million Drill Program at Kalana Main Project

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ST. PETER PORT, GUERNSEY--(Marketwired - Feb 5, 2015) - [Avnel Gold Mining Ltd.](#) ("Avnel Gold" or the "Company") (TSX:AVK) is announcing the commencement of the Definitive Feasibility Study ("DFS") for its flagship Kalana Main Project in south-western Mali. The Company is also announcing the details of a 141-hole, 23,500-metre drill program.

## Highlights

- Updated Mineral Resource Estimate for Kalana Main in Q1 2015
- 141-hole, 23,500-metre drill program to commence in March 2015
- Drill program expected to provide for a steady flow of news in Q2 and Q3 2015
- DFS metallurgical test results in Q3 2015
- DFS Mineral Resource Estimate for Kalana Main in Q3 2015
- DFS for Kalana Main remains on-track for Q4 2015
- Construction decision expected in Q1 2016

"In the fourth quarter of 2014, we reported the September MRE that showed a 55% increase in the diluted pit-constrained Indicated Resource to 1.96 million ounces relative to the March 2014 PEA. A significant contributor to this increase was another round of LeachWell re-assaying undertaken in the third quarter of 2014. Subsequently, we submitted additional samples for re-assay and, based upon preliminary analysis of the results, they are expected to increase mineral resources further. As a result, we anticipate reporting an interim revision to the MRE within the next month or so," stated Howard Miller, Avnel Gold's Chairman and Chief Executive Officer.

"As a result of the larger Mineral Resource and the latest engineering work, it has become clear that we cannot complete the PFS without our planned drilling. Accordingly, we have increased our planned drill program to 23,500 metres at a budgeted cost of \$3.8 million. The drill program is to start in March and is designed to better define mineralization in key areas, thereby converting inferred resources, currently treated as waste at zero grade, within the pit to Indicated Mineral Resources and consequently reducing in-pit waste. This is expected to enhance the overall potential economics of the project and improve key performance indicators, such as waste-to-ore ratio, capital intensity, NPV, IRR, and payback period."

"I am also pleased to report that metallurgical test work has shown that average gold recovery has increased from 93% in the PEA to 94% in fresh rock and 95% in saprolite. Cyanide and lime consumption remain low, albeit there has been an increase in the Mill Grinding Work Index of the deeper fresh rock. We believe that there are significant opportunities to optimize the metallurgical results and plant process, which we expect to report in the third quarter of this year ahead of the DFS."

"As a result of the foregoing, and after careful consideration, the Company has decided to advance the Kalana Main Project directly to the DFS level and to not complete the PFS. This will allow us to maintain our timeline of completing the DFS in 2015 and put us in a position to make a construction decision in early 2016, subject to project financing."

## New Mineral Resource Estimate for Kalana Main in Q1 2015

On 15 October 2014, the Company announced that the pit-constrained and diluted Indicated Mineral Resource for the Kalana Main Project had increased 50% to 1.96 million ounces<sup>1</sup> (the "September MRE") relative to the March 2014 Mineral Resource (the "March MRE") presented in the 31 March 2014 Preliminary

## Economic Assessment (the "PEA").

An important aspect of the 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 more appropriate LeachWell assay method. The lack of LeachWell data in this zone is meaningful because extensive re-assay programs from Kalana Main have repeatedly demonstrated that the 50-gram Fire Assay method typically understated the grade of samples relative to the more appropriate 2 to 4-kilogram LeachWell assay method. As a result, the Company submitted an additional 6,200 existing samples for LeachWell analysis in the fourth quarter of 2014.

The re-assay results from the zone between the March and September MRE pit shells have been received and, consistent with prior re-assay programs, the average grade of these samples has increased by more than 40% relative to the original Fire Assay results. The Kalana Main re-assay campaign is now complete and the Company does not have any additional samples that are suitable for LeachWell re-assay.

The Company has submitted a total of 31,100 primary samples for re-assay by LeachWell, representing 91% of the mineralized intercepts in the database that report a Fire Assay grade of greater than 0.5 g/t Au. On a cumulative basis, the results demonstrate that the original Fire Assay results understated the grade by 42%.

The Company anticipates that the inclusion of this data will increase the average grade of the zone between the March and September MREs and thus improve the economic prospectivity of this zone that was not considered in the PEA. This is expected to result in an increase in the pit-constrained Indicated Mineral Resource relative to the September MRE.

As a result of these encouraging results, the Company has instructed Mr. Ivor Jones, the Qualified Person who prepared the March and September MREs, to prepare an interim revision to the MRE for the Kalana Main deposit. The Company anticipates publishing the interim revision to the MRE in first quarter of 2015.

## **Drill Program Expected to Enhance Overall Project Economics**

As recommended in the PEA, the Company had previously planned completing a 14,000-metre ("m") definition, infill, and step-out drilling. This program was intended to upgrade the existing Inferred Mineral Resource to at least the Indicated Mineral Resource category and better define areas of known mineralization at the Kalana Main deposit for the DFS.

Following the completion of the September MRE and a review of the latest engineering work, it has become increasingly evident that as a result of the substantial increase in the limits of the pit shell that additional drilling is required before the PFS may be completed.

Accordingly, the Company has increased the planned drill program to 23,500 m, which consists of 24 diamond core holes over 4,500 m and 117 reverse-circulation drill holes over 19,000 m, at a budgeted cost of \$3.8 million. The planned layout of the drill program is presented in Figure 1 near the end of this press release.

Drill pad construction is well underway and the drill program is expected to commence in early March. The first batch of assay results are expected to be available approximately two months after the commencement of drilling and will provide a steady flow of drilling related news during the second and third quarters of 2015.

As noted in figures 2 and 3 near the end of this press release, the drill program is intended to:

- 1) Better define the up-dip shape and continuity of known mineralization near the west, north and eastern margins of the pit shell;
- 2) Infill small gaps within the model to better define grade and continuity; and

3) Step-out near the limits of the pit shell to test for near surface gold mineralization in highly prospective areas.

Collectively, the drill program is expected to upgrade estimates of in-pit mineralization currently classified as Inferred Mineral Resources or waste to Indicated Mineral Resources and delineate new near-pit mineral resources. The drill program is also designed to collect modern data to confirm the shape and grade of in-pit mineralization encountered in historic Soviet-era drill programs. As a result, the drilling is anticipated to decrease the amount of in-pit waste and increase in-pit Indicated Mineral Resources.

The inclusion of this drilling represents a major opportunity to enhance key performance indicators for the Kalana Main Project, including net present value ("NPV"), internal rate of return ("IRR"), pay back period, waste-to-ore ratio, and capital intensity per ounce of expected production.

Following the completion of the drill program, the Company plans to update the model and expects to publish an updated MRE for Kalana Main Deposit in September 2015, which will form the basis for the DFS.

### **Metallurgical Program Increases Gold Recovery**

The Company has conducted detailed metallurgical test work based upon a grind size of 80%-passing 75 microns, as utilized in the PEA. These studies report that average gold recovery, at an average diluted head grade of 3.1 g/t Au, utilizing combined gravity and conventional carbon-in-leach ("CIL"), has increased from 93% in the PEA to 94% in fresh rock and 95% in saprolite. Cyanide and lime consumption remain low at approximately 0.5 and 1.8 kilograms of tonne of material, respectively, which is inline with the PEA. However, it was determined that the Mill Grinding Work Index of the deeper fresh rock material has increased to as much as 25 kilowatt-hours per tonne ("kwh/t") (from up to 17 kwh/t in the PEA).

As a result, the Company believes that there are significant opportunities to optimize the metallurgical test work and plant process, particularly within the harder fresh rock. Accordingly, the Company has expanded the metallurgical work program to include other grind specifications to determine processing costs, pre-production capital, and gold recovery estimates. The results of this analysis and the associated trade off studies, which will be at a level sufficient for the DFS, are expected to be reported in the third quarter of 2015.

### **Kalana Main Project Advances Directly to Definitive Feasibility Study**

As a result of the upcoming MRE revision, the necessity of the drill program to complete the PFS, and the expected completion date of the DFS metallurgical test work, the Company has decided to advance the Kalana Main Project directly to the DFS level and to discontinue the PFS.

The Company has determined that this course of action will result in the DFS remaining on-track for completion in fourth quarter of this year. Accordingly, Kalana Main Project is expected to be sufficiently advanced to permit a construction decision to develop the open-pit mine in the first quarter 2016, subject to the availability of project financing. Consequently, the Company continues to forecast commencing open-pit mine development in the first quarter of 2016 with commercial production occurring in the fourth quarter of 2017.

### **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 adjusted

"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. The Company is now advancing the project to Definitive Feasibility, which is scheduled to be completed in December 2015.

*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 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.

### **Technical Information and Qualified Person/Quality Control Notes**

Technical information in this publication regarding the March 2014 Mineral Resource Estimate and Preliminary Economic Assessment regarding the Kalana Main Project is summarised or extracted from the technical report prepared by Snowden Mining Industry Consultants (Pty) Ltd ('Snowden') entitled "Kalana Mineral Resource Estimate and Preliminary Economic Estimate" dated 31 March 2014 and from the September 2014 Mineral Resource Estimate prepared by Denny Jones Pty Ltd ("Denny Jones"). The March 2014 Technical Report was prepared by Allan Earl, Executive Consultant, and Ivor Jones, Executive Consultant, both of Snowden at that time. The September MRE was prepared by Ivor Jones, Principal Consultant, at Denny Jones. Both Allan Earl and Ivor Jones are independent "Qualified Person" as such term is defined in National Instrument 43-101 -Standards of Disclosure for Mineral Projects. The full text of the

Technical Report is available for review on SEDAR ([www.SEDAR.com](http://www.SEDAR.com)).

Technical information in this publication arising subsequent to the date of the Technical Report, if any, regarding the Kalana Main Project and the Kalana Permit is provided by Avnel management under the supervision of Roy Meade, a Company director, and Dr. Olivier Femenias, VP Geology, both of whom are a non-independent "Qualified Person" as such term is defined in National Instrument 43-101.

### **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".

To view Figure 1, visit the following link:

<http://www.avnelgold.com/wp-content/uploads/News/2015/20150205-AVK-Figure01.pdf>

To view Figure 2, visit the following link:

<http://www.avnelgold.com/wp-content/uploads/News/2015/20150205-AVK-Figure02.pdf>

To view Figure 3, visit the following link:

<http://www.avnelgold.com/wp-content/uploads/News/2015/20150205-AVK-Figure03.pdf>

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<sup>1</sup> 19.7 million diluted tonnes grading 3.10 grams of gold per tonne of material ("g/t Au") at a 0.9 g/t Au cut-off

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