

ST. PETER PORT, GUERNSEY--(Marketwired - Aug 12, 2015) - [Avnel Gold Mining Ltd.](#) ("Avnel" or the "Company") (TSX:AVK) has filed its Consolidated Financial Statements and related Management Discussion & Analysis ("MD&A") for the three and six-month periods ended June 30, 2015.

#### Second Quarter 2015 Highlights:

- Completed a brokered Bought Deal financing for gross proceeds of C\$12 million
- Increased the Kalana Main DFS drill program to 30,000 m
- Added a third drill rig to the Kalana Main DFS drill program
- Reported initial positive drill results from the Kalana Main DFS drill program
- Completed the requisite baseline field and socio-economic studies for the ESIA

#### Subsequent to quarter-end:

- Completed a 181-hole over 30,131 m drill program
- Reported additional positive results from the Kalana Main DFS drill program
- Commenced the Public Participation Process for the ESIA

#### Outlook

Near the end of the first quarter of 2015, the Company initiated a 23,500-metre ("m") drill program in support of the Definitive Feasibility Study ("DFS") for the Kalana Main project. Following a detailed evaluation of the exploration potential of the Kalana Main deposit, the Company added a third drill rig and increased the drill program to 30,000 metres at a budgeted cost of \$5.3 million (up from \$3.8 million) in the second quarter of 2015.

As detailed at length in the Company's recent news releases dated June 11 and July 16, results from the drill program have been positive and continue to reinforce the Company's confidence in the geological model. The Company remains confident that this drilling will support the conversion of a meaningful portion of the Mineral Resource into the Measured plus Indicated category, delineate new mineral resources, and positively impact several key performance indicators in the DFS. The drill program was completed on July 5 and assays from approximately one-third of the total drill program are pending.

Following the receipt of all assays, the Company plans to update the block model and report the next revision to the Mineral Resource estimate in late September 2015. This mineral resource estimate is expected to form the basis for a DFS that is scheduled to be completed in the first quarter of 2016.

As part of the DFS process, the Company is preparing a new Environmental and Social Impact Assessment ("ESIA") that will satisfy the requirements of the Equator Principles with the intention of pursuing international financing for the construction of an open pit mine at Kalana Main. The requisite baseline field and socio-economic studies for the ESIA were completed during the second quarter of 2015 and the Public Participation Process has commenced.

The ESIA and other associated studies, including a Community Resettlement Action Plan, are expected to be submitted to the Malian authorities for review and approval in the fourth quarter of 2015. The Company anticipates receiving approval from the Malian authorities in the first quarter of 2016. Pursuant to the Company's 2003 Foundation Agreement with the Government of Mali, the only significant permit required to develop new mines on the Kalana Exploitation Permit is the approval of an ESIA for each new mine.

As a result of these activities, the Kalana Main Project is expected to be sufficiently advanced for the Company to consider a construction decision to develop an open pit mine during 2016, subject to receipt of a positive DFS, approval of the new ESIA from the Malian authorities, and the availability of project financing.

Operations at the small, Soviet-era, underground mine at Kalana continue benefit from the ongoing weakness in local currencies relative to the US dollar, which contributed to lower than budgeted operating costs. In the first half of 2015, operations benefitted from higher than budgeted gold production that resulted in higher cash flow and lower unit costs than budgeted. Despite these positive developments, the Company does not expect the underground mine to be profitable under the prevailing gold price environment. The Company continues to operate the underground mine to partially offset underground exploration expenses and help maintain socio-economic stability in the local community. The Company plans to continue operations 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.

#### Mining Operations

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Tonnes milled	12,237	12,286	24,581	24,633
Average grade processed (g/t Au)	7.14	6.47	8.29	6.51
Recovery rate (%)	79.3	79.5	80.7	82.1
Gold production (ounces)	2,228	2,048	5,287	4,233
Cost per tonne milled	\$219	\$268	\$219	\$268
Operating cost per ounce of gold sold	\$1,179	\$1,565	\$1,000	\$1,536
Operating cost per ounce of gold produced	\$1,204	\$1,608	\$1,016	\$1,561

Gold production of 5,287 ounces in the half year to June 30, 2015 was 25% higher than the half year to June 30, 2014. The increase in production is attributable to a 27% increase in average grade processed to 8.29 g/t Au in the first half of 2015 compared to 6.5 g/t Au in the first half of 2014. The increase in average grade processed was partly offset by lower gold recovery of 80.7% in the first half of 2015 relative to 82.1% in the comparative period of 2014, although still inline with the budgeted rate of 80%.

#### Financial Results for the Three and Six-Month Periods Ended June 30, 2015

The Company has filed its unaudited Consolidated Financial Statements and associated MD&A for the three and six-month periods ended June 30, 2015, which are available on SEDAR and on the Company's website.

A summary of selected quarterly financial information is presented below:

#### Selected Financial Information

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Total Revenue	3,379	2,809	6,466	5,593
Total Expenses	4,672	4,856	8,081	9,724
Other expenses	(980)	(53)	(791)	(138)
Net loss	(2,273)	(2,100)	(2,406)	(4,269)
Net loss from continuing operations attributable to parent	(1,860)	(1,572)	(1,774)	(3,256)
Net loss per share attributable to parent	(\$0.006)	(\$0.008)	(\$0.006)	(\$0.017)
Weighted average shares outstanding	268,887,267	191,743,724	274,229,019	191,743,724
Balance Sheet		June 30, 2015	June 30, 2014	Dec 31, 2014
Working capital surplus		13,307	5,230	9,817
Total assets		32,782	22,657	25,930
Total non-current liabilities		10,863	3,068	8,593
Shareholders' equity		32,450	28,478	28,072

#### Results of Operations

Metal revenues increased to \$6,466,000 in the half year to June 30, 2015 from \$5,593,000 in the half year to June 30, 2014. The increase in revenue is a result of a 24% increase in ounces sold from 4,287 ounces in the half year to June 30, 2014 relative to 5,332 ounces in the half year to June 30, 2015. The increase in revenue was partly offset by a 7% decrease in the realised average sales price of gold from \$1,302 per ounce in the half year to June 30, 2014 to \$1,210 per ounce in the half year to June 30, 2015.

Total expenses reduced by 17% from \$9,724,000 in the half year to June 30, 2014 to \$8,081,000 in the half year to June 30, 2015. The reduction in expenses is attributed to the strengthening of the US dollar relative to the Central African franc ("CFA") and the South African Rand. Lower mining costs, resulting from a reduction in the rate of underground mining and an increase in the processing of surface stockpiles, have also contributed to lower operating expenses. Exploration costs expensed was nil in the first half of 2015 compared to \$392,000 in the first half of 2014. Operating costs per ounce of gold sold for the half year to June 30, 2015 reduced from \$1,536 per ounce to \$1,000 per ounce, which is attributable to lower operating costs and higher gold sales in the current period relative to the comparative period.

Avnel recorded a net loss of \$2,406,000 (\$0.006 attributable loss per share) for the half year ended June 30, 2015 compared to

a net loss of \$4,269,000 (\$0.017 attributable loss per share) in the half year to June 30, 2014. Included in the half year to June 30, 2015 is a loss on the fair value of derivative financial instruments of \$679,000, compared to nil in the first half of 2014, arising from a change in the fair value of warrants outstanding. The fair value accounting losses reported have no cash effect on the Company.

As compared to the condensed consolidated statement of financial position as at December 31, 2014, Avnel's cash and cash equivalents as at June 30, 2015 increased by \$5,215,000 from \$7,709,000 to \$12,924,000 arising from cash provided by the financing in May of \$8,925,000 that was partly offset by the cost of exploration and evaluation asset expenditure of \$4,288,000. The Company had a working capital surplus of \$13,307,000 as at June 30, 2015 compared to a working capital surplus of \$9,817,000 as at December 31, 2014. Total assets increased from \$25,930,000 as at December 31, 2014 to \$32,782,000 at June 30, 2015.

Total non-current liabilities increased from \$8,593,000 as at December 31, 2014 to \$10,863,000 at June 30, 2015, mainly due to the fair value of the warrants issued in May 2015 and also the re-valuation of the warrants issued in 2014. The fair value of derivative financial instruments has no cash effect on the Company.

Total stockholders' equity increased to \$32,450,000 as at June 30, 2015 from \$28,072,000 as at 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 six-month periods ended June 30, 2015 and June 30, 2014 and associated 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. The Company is now advancing the project to Definitive Feasibility, which is scheduled to be completed in the first quarter of 2016.

*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, 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'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's Annual Information Form, which is available on SEDAR ([www.sedar.com](http://www.sedar.com)). Although Avnel 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 Féménias, 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

"Cost per Tonne Milled" 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 similarly titled measures of other gold mining companies. Calculated by dividing the relevant mining and processing costs and total costs by the tonnes of ore processed in the period.

"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 Costs Per Ounce Sold". These costs may also be divided by the number of ounces produced to arrive at "Cash Cost per Ounce Produced".

"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".

## Contact

### [Avnel Gold Mining Ltd.](#)

Howard Miller, Chairman and CEO

Phone: +44 207 589 9082

UK Mobile: +44 07768 696129

Canadian Mobile: +1 416 726 8174

Email: [howard@hbmiller.co.uk](mailto:howard@hbmiller.co.uk)

### [Avnel Gold Mining Ltd.](#)

Jeremy Link, Vice-President, Corporate Development

Phone: +1 (647) 692-5460

Email: [jlink@avnelgold.com](mailto:jlink@avnelgold.com)

[www.avnelgold.com](http://www.avnelgold.com)