

Avnel Gold Mining Limited Announces 2013 Annual Results

31.03.2014 | [CNW](#)

Period ended December 31, 2013.

ST. PETER PORT, GUERNSEY, March 31, 2014 /CNW/ - Avnel files NI 43-101 Technical Report on the Kalana deposit

Please refer to Mineral Resource Estimate and Preliminary Economic Assessment announced in the Company's press release dated March 24, 2014 summarise below.

Kalana Main Project in-situ Mineral Resource estimate - March 2014

Classification	Tonnes (millions)	Gold Grade (g/t)	Contained Gold (million ounce)
Indicated Resource	8.5	4.53	1.25
Inferred Resource	2.1	3.76	0.25

(1) Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues. The Mineral Resources in this MD&A were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.

(2) The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.

(3) Contained metal figures and totals may differ due to rounding of figures.

(4) Based on a cut-off grade of 0.9 grams of gold /tonne.

Table 1 Kalana Main Project Sensitivity (gold price and discount rate)

Metal price (US\$/oz)	NPV (5%)	NPV (10%)	IRR
1,110	US\$276 million	US\$194 million	53%
1,300	US\$424 million	US\$306 million	74%

The PEA is preliminary in nature and includes the use of indicated and inferred 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 PEA will be realised. Actual results may vary, perhaps materially. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The PEA is subject to a number of assumptions, including, among others that an Environmental Impact Assessment 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.

Results of Operations

Selected Interim Information

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

	2013	2012	2011
Total Revenue.....	14,574	16,804	14,654
Total Expenses.....	19,294	18,420	17,246
Other Income/ (expense).....	1,565	6,406	(2,285)
Net (Loss)/profit.....	(3,155)	4,786	(4,879)
Net (Loss)/profit from continuing operations attributable to owners of the parent.....	(942)	7,762	(4,705)
Net (Loss)/profit per share attributable to owners of the parent	(\$0.005)	\$0.040	\$(0.025)
Basic weighted average shares outstanding	191,743,724	191,743,724	185,554,007
Balance Sheet			
Working Capital Surplus.....	8,629	12,226	12,058
Total Assets.....	26,524	31,051	31,726
Total Non-current liabilities	3,004	3,855	10,266
Shareholders' Equity.....	31,845	32,750	24,515

Results of Operations

Metal revenues reduced to \$14,574,000 in the year to December 31, 2013 from \$16,804,000 in 2012. This was as a result of a 16% decrease in the realised average sales price of gold from \$1,666 per ounce in 2012 to \$1,407 per ounce in 2013, partly offset by an increase in gold ounces sold from 10,059 ounces in the year to December 2012 to 10,334 ounces in 2013.

Total expenses increased by 5% from \$18,420,000 in 2012 to \$19,294,000 which included an exploration expense of \$910,000 mainly relating to the re-assaying of drill samples and a release of withholding tax provision for £1,005,000 relating to services to SOMIKA outside Mali. Cash costs of production for 2013 increased 6% from \$1,259/oz to \$1,329/oz mainly as a result of increased mining costs and stock adjustments.

Avnel recorded a net loss of \$3,155,000 (\$0.005 attributable loss per share) for the year ended December 31, 2013 compared to a net profit of \$4,786,000 (\$0.004 attributable profit per share) in the year to 31 December 2012. Included in 2013, is an accounting finance profit on the fair value of derivative financial instruments of \$1,600,000, arising from the lapse of warrants without exercise compared to a profit of \$6,318,000 in 2012. These fair value accounting gains reported have no cash effect on the Company.

As compared to the balance sheet as at December 31, 2012, Avnel's cash and cash equivalents as at December 31, 2013 decreased by \$2,180,000 from \$7,979,000 to \$5,799,000 mainly as a result of cash used in operations.

There was a working capital surplus of \$8,629,000 as at December 31, 2013 compared to working capital surplus of \$12,226,000 as at December 31, 2012. The working capital figures reported exclude the other derivative financial liability movements reported on the Company's balance sheet which has no cash liability to the Company.

Total assets reduced from \$31,051,000 as at December 31, 2012 to \$26,524,000 at December 31, 2013.

Total stockholders' equity reduced to \$31,845,000 as at December 31, 2013 from \$32,750,000 at December 31, 2012. The retained deficit increased by \$1,275,000 as a result of the net loss made in the year to December 31, 2013.

Outlook

Following the re-assay campaign and the update of the geological model made in 2013/14, Snowden have

completed a Mineral Resource Estimate (MRE) showing 1.25 million ounces of gold (8.5 million tonnes at 4.53g/t) in the Indicated Mineral Resource category, and 0.25 million ounces of gold (2.1 million tonnes at 3.76g/t) in the Inferred resources Mineral Resource category, based on a cut-off grade of 0.9g/t and a gold price of \$1,110 per ounce. Snowden completed a Preliminary Economic Assessment (PEA), using the MRE, showing an after tax and imputed interest net present value (discounted at 10%) of \$194 million with a 53% project internal rate of return. Avnel is examining its options to proceed with the work necessary to complete a pre-feasibility and feasibility study leading to the development of a new bulk mine at Kalana and the ongoing exploration of its 387sq.km Kalana Permit where new gold prospects at Kalanako and Djirila have been identified. A NI 43-101 Technical Report on the Kalana deposit has been filed on March 31, 2014

For 2014, Avnel is planning gold production of 8,300 ounces from 53,000 tonnes of ore milled, at an average grade of 6.0g/t. This plan is very sensitive to grade, gold price and costs. The plan assumes that the major underground ore sources will be Veins 20, 21 and 20C. Development during the first quarter 2014 will expose new ore blocks to mine from Vein 21 and Vein 20C. The 35,000 tonnes of underground ore will be augmented by 18,000 tonnes of lower grade ore on surface stockpiles. The Company intends to sustain the operation as long as feasible while the exploration program progresses. This is important to reduce the social impact on the community and to cover the costs of underground pumping. Once underground mining operations are temporarily stopped, the mine will be placed on care and maintenance. The underground water pumping system will remain in operation to prevent flooding of the mine and permit access for future exploration activity.

The mine plans to advance development 225 metres during 2014. Development will focus on opening up Vein 21 and Vein 20C below the 180m level. Dependent on results, development will continue.

It is forecast that the mineable ore available from the current underground mine infrastructure is approximately 35,000 tonnes at 6.5g/t containing 7,000 ounces. This assumes that ongoing development of Vein 21 and Vein 20C below 180m level will be successful. This will allow mining to average 3,500 tonnes per month to October 2014. The surface ore stockpile is 29,000 tonnes at a grade of 5.0g/t.

The NI 43-101 Technical Report, Annual Financial Statements MD&A 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 (in respect of the current underground mine) 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. During the period of the pre-feasibility study and feasibility study it is anticipated the present underground mine as described above will continue. If the feasibility study is positive it is contemplated that the underground mine will close. The infrastructure of the underground mine sits atop the conceptual new open pit.

Technical Information and Qualified Person/Quality Control Notes

Technical information in this publication regarding the Mineral Resource Estimate and Preliminary Economic Assessment regarding the Kalana Main Project is summarised or extracted from technical reports prepared by Snowden Mining Industry Consultants (Pty) Ltd ('Snowden') entitled "Kalana Mineral Resource Estimate and Preliminary Economic Estimate" dated 31 March 2014. The Technical Report was prepared by Allan Earl, Executive Consultant, and Ivor Jones, Executive Consultant, each of whom 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 the System for Electronic Document Analysis (SEDAR) located at www.SEDAR.com.

Technical information in this publication arising subsequent to the date of the Technical Reports, 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.

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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