

ST. PETER PORT, GUERNSEY--(Marketwired - May 11, 2016) - [Avnel Gold Mining Ltd.](#) ("Avnel" or the "Company") (TSX:AVK) is reporting that it has filed its unaudited Condensed Interim Consolidated Financial Statements and the related Management Discussion & Analysis ("MD&A") for the three-month period ended March 31, 2016 on SEDAR.

## First Quarter 2016 Highlights

- Announced the results of a positive Feasibility Study for the Kalana Main Project
- Announced an updated Mineral Resource Statement for the Kalana Main Project
- Submitted an ESIA and other associated documentation to the Malian authorities for the development of the Kalana Main Project

### *Subsequent to March 31, 2016:*

- Received approval of the ESIA for the development of the Kalana Main Project from the Malian authorities
- Filed a Technical Report in support of the Feasibility Study on SEDAR

## Outlook

A positive feasibility study for the Kalana Main Project (the "Feasibility Study") has been completed and the related Environmental and Social Impact Assessment ("ESIA") and associated Environmental and Social Management Plan ("ESMP") have been approved by the Malian authorities. The approval of the ESIA was the only government approval required to advance the Kalana Main Project construction as the Kalana Exploitation Permit was awarded to Avnel in 2003 with an initial term of 30 years. The only government approval required to develop only new mines on the permit is an ESIA.

The Company continues to advance the Kalana Main Project towards a construction decision through its 80% ownership in Société d'Exploitation des Mines d'Or de Kalana, S.A. ("SOMIKA"). The ESIA has been prepared to conform to the requirements of the International Finance Corporation's Performance Standards, the World Bank Group's Environmental, Health, and Safety guidelines, and other financial institutions that are signatories to the Equator Principles with the intent of pursuing international financing for the development of the Kalana Main Project. The Company anticipates that the Kalana Main Project will be sufficiently advanced to consider a construction decision during 2016, subject to the availability of adequate financing on a timely basis.

With respect to operations at the small, Soviet-era, underground Kalana Mine, gold production in the first quarter of 2016 was 2,958 ounces. The Company continues to forecast gold production of 8,600 ounces in 2016. Although the Kalana Mine was cash flow positive in 2015, the Company does not expect the mine to be profitable under the prevailing gold price environment. The Company continues to sustain operations to partially offset the cost of providing underground access to facilitate due diligence activities necessary to secure mine development financing. The continued operation of the mine also helps to maintain socio-economic stability in the local community as the workforce prepares to transition to activities related to the construction and operation of the proposed Kalana Main Mine. The Company intends to sustain operations for as long as economically feasible and safe to do so, without incurring any significant capital expenditures, until such a time as the Company is able to evaluate development options for the Kalana Main Project.

## Selected Financial Information

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

	Three months ended March 31	
	2016	2015
Total Revenue	3,251	3,087
Total expenses	3,811	3,409
Other (expense)/income	(185	) 189
Net loss	(745	) (133
Net (loss)/profit from continuing operations attributable to owners of the parent	(419	) 86
Net profit/(loss) per share attributable to owners of the parent	(\$0.001	) \$0.000
Basic weighted average shares outstanding	304,330,124	261,430,124
Balance Sheet	March 31 2016	December 31 2015
Working capital surplus	8,336	8,803
Total assets	27,351	27,958
Provisions	3,398	3,349
Shareholders' Equity	32,840	32,738

## Results of Operations, Three Months Ended March 31, 2016

Metal revenues increased to \$3,251,000 in the quarter to March 31, 2016 from \$3,087,000 in the quarter to March 31, 2015.

The increase in revenue is a result of a 6% increase in ounces sold from 2,539 ounces in the quarter to March 31, 2015 relative to 2,696 ounces in quarter to March 31, 2016, that was partly offset by a 1% decrease in the realised average sales price of gold from \$1,216 per ounce in the quarter to March 31, 2015 to \$1,203 per ounce in the quarter to March 31, 2016.

Total expenses increased by 12% from \$3,409,000 in the quarter to March 31, 2015 to \$3,811,000 in the quarter to March 31, 2016. The increase in expenses is attributed to the weakening of the dollar against the Central African franc ("CFA") and the South African Rand. Exploration costs expensed were \$146,000 in the first quarter of 2016 compared to nil in the first quarter of 2015. Operating costs per ounce of gold sold for the quarter to March 31, 2016 increased from \$803 per ounce to \$832 per ounce.

Avnel recorded a net loss of \$745,000 (\$0.001 attributable loss per share) for the quarter ended March 31, 2016 compared to a net loss of \$133,000 (\$0.000 attributable loss per share) in the quarter to March 31, 2015. Included in the quarter to March 31, 2016 is a loss on the fair value of derivative financial instruments of \$175,000, compared to a gain of \$296,000 in the quarter to March 31, 2015. The fair value accounting gains reported have no cash effect on the Company.

As compared to the balance sheet as at December 31, 2015, Avnel's cash and cash equivalents as at March 31, 2016 decreased by \$1,838,000 from \$7,211,000 to \$5,373,000 arising from cash used in operations and technical studies.

There was a working capital surplus of \$8,336,000 as at March 31, 2016 compared to a working capital surplus of \$8,803,000 as at December 31, 2015. Total assets reduced from \$27,958,000 as at December 31, 2015 to \$27,351,000 at March 31, 2016. Total provisions increased from \$3,349,000 as at December 31, 2015 to \$3,398,000 at March 31, 2016. Total stockholders' equity increased to \$32,840,000 as at March 31, 2016 from \$32,738,000 as at December 31, 2015.

#### Associated Documents for Three-Month Period Ended March 31, 2016

This news release should be read in conjunction with the Company's unaudited consolidated financial statements for the three month period ended March 31, 2016 and the associated MD&A for this period, 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)).

#### Filing of Amended and Restated Annual Information Form

Following the filing by the Company of an independent technical report prepared in accordance with National Instrument 43-101 - *Standards for Disclosure for Mineral Projects* titled "NI 43-101 Technical Report on Kalana Main Project" (the "Kalana Technical Report"), which has an effective date of March 30, 2016 and is dated May 6, 2016, the Company has filed today an amended and restated annual information form for the Company for the year ended December 31, 2015 (the "Amended and Restated AIF"). The Amended and Restated AIF updates the original annual information form filed by the Company on March 30, 2016 to provide a revised summary of the information regarding the Kalana Project which reflects the information contained in the Kalana Technical Report, including the results of the recently completed definitive feasibility study. A copy of the Kalana Technical Report and the Amended and Restated AIF can be accessed under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com), or on the Company's website at [www.avnelgold.com](http://www.avnelgold.com).

#### Personnel Changes

Avnel reports that, Mr. Jeremy Link, Avnel's Vice President Corporate Development has departed from his employment with the Company. Avnel wishes Mr. Link well in his future endeavours.

#### 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 strategic objective is to develop the Kalana Main Project into an open-pit mining operation through its 80% ownership in SOMIKA. A secondary objective of the Company is to explore the remainder of the 387 km<sup>2</sup> Kalana Exploitation Permit to discover new mineral deposits.

*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 most recently completed 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.

## Technical Information

Except where indicated, the disclosure contained or incorporated into this news release of an economic, scientific or technical nature, has been summarised or extracted from the Kalana Technical Report, prepared by Snowden Mining Industry Consultants (Pty) Ltd. ("Snowden"), Denny Jones Ltd ("Denny Jones"), DRA Projects SA (Pty) Ltd ("DRA") and Epoch Resources (Pty) Ltd ("Epoch Resources"). The Kalana Technical Report was prepared under the supervision of Mr. Allan Earl (Executive Consultant - Mining Engineering of Snowden), Mr. Ivor Jones (Executive Consultant - Applied Geosciences of Denny Jones), Mr. Glenn Bezuidenhout (Principal Process Engineer of DRA), Mr. Sybrand van der Spuy (Civil Engineer of DRA), Mr. Guy Wied (Principal Consultant - Tailings and Waste Rock Facilities of Epoch Resources), and Mr. Stephanus (Fanie) Coetze (Principal Consultant - Environmental and Social of Epoch Resources), all of whom 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, which contains the Kalana Main Project, the Kalana Mine, plus a number of mineral exploration prospects. The Company filed the Kalana Technical Report in support of the Feasibility Study and the ESIA on SEDAR on May 6, 2016.

## Non-IFRS Measures

Avnel's condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and the accounting policies adopted in accordance with IFRS. Management uses both IFRS and non-IFRS measures to monitor and assess the operating performance of the Company's operations. Management uses certain non-IFRS performance measures to provide additional information, as the Company believes that certain investors use these measures to assess gold mining companies. These non-IFRS performance measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Non-IFRS performance measures do not have standardised definition under IFRS and therefore may not be comparable to similar measures presented by other organizations:

"Cost per Tonne Milled" is calculated by dividing the relevant mining and processing costs and total costs by the tonnes of ore processed in the period. Management uses this measure as a possible indication of the mining and processing efficiency of the mine.

"Cash Operating Cost" 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 produced to arrive at "Cash Operating Cost per Ounce Produced" and are divided by the number of ounces sold to arrive at "Cash Operating Cost per Ounce Sold", after taking into account certain inventory movements. These terms are commonly used by gold mining companies to assess the level of gross margin available to the company, typically by subtracting Cash Operating per Ounce Sold from the average per ounce price realised during the period. These terms are also often used as an indication of a mining company's ability to generate cash flow from operations.

"On-site All-in Sustaining Cost" is defined in the PEA by Snowden 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, environmental, and closure costs. These costs are then divided by the number of ounces of expected production to arrive at "On-site All-in Sustaining Cost per Ounce".

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