



Avnel Files Second Quarter 2016 Financial Statements and MD&A

ST. PETER PORT, GUERNSEY, AUGUST 10, 2016 – Avnel Gold Mining Limited (“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 and six month periods ended June 30, 2016 on SEDAR.

Second Quarter 2016 Highlights

- Discussions continue with banks and financial institutions on financing the Kalana Main Project
- Kalana Main Project cost optimisation studies continue.
- Appointed Mr Charles Graham as Project Manager and Mr Raymond Deen as Project Controls Manager for the Kalana Main Project
- Appointed ABS Africa to assist Avnel to develop strategies, policies and action plans to meet the requirements of the Environmental and Social Management plan.

Subsequent to June 30, 2016:

- All Broker warrants and compensation units expiring by July 16, 2016 were exercised for net proceeds of US\$235,000. In addition further warrants, issued in 2014, have been exercised for net proceeds of \$173,000.
- Appointed Epoch Resources, who completed the Tailings Storage Facility design for the feasibility study, to commence with detailed engineering design to enable tender for construction to be issued by end Q3 2016
- Appointed ESDCO, a Malian Consultant who completed the socio-economic and Resettlement Action Plan for the Feasibility Study, to design and manage the implementation of the Resettlement Action Plan for Kalana Town and other impacted areas

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 key government approval required to advance the Kalana Main Project towards construction as the Kalana Exploitation Permit was awarded to Avnel in 2003 with an initial term of 30 years. The only significant government approval required to develop new mines on the permit is an ESIA and the associated ESMP. 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.

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”). Discussions continue with banks and other financial institutions to provide financing for the development of the

Kalana Main Project. Cost optimisation analysis continued in the period on the construction costs of the Kalana Main Project. The Company anticipates that the Kalana Main Project will be sufficiently advanced to consider a construction decision quarter 4, 2016 / quarter 1, 2017, subject to the availability of adequate financing on a timely basis.

In anticipation of a construction decision Avnel has commenced building the project team to implement the Kalana Main Project. The team includes project dedicated staff, specialist staff and consultants for environmental and RAP implementation, design and construction engineer for the TSF and mining engineering consultants. Avnel is investigating the award of an EPC contract for the gold plant and associated infrastructure in Q4 2016.

Project Manager	Appointed	South African
Project Engineer	Appointed	South African
Project Cost and Schedule Manager	Appointed	South African
Construction Manager	To be appointed Q1 2017	
Environmental Manager	Start Q4 2016	Malian
Environmental Superintendent	Start Q4 2016	Malian
Safety Manager	Appointed	South African
Resettlement Manager	Start Q4 2016	Malian
Environmental Consultant	Appointed	ABS (SA)
RAP Consultant	Appointed	ESDCO (Mali)
TSF Consultant	Appointed	Epoch Resources (SA)
Mining Consultant	Appointed	Snowden
EPC contractor	Start Q4 2106	Tender process

With respect to operations at the small, Soviet-era, underground Kalana Mine, gold production in the first half of 2016 was 4,853 ounces. The Company forecasts gold production of 3,800 ounces in the second half of 2016. Although the Kalana Mine was cash flow positive in 2015, the Company does not expect the mine to be cash positive under the prevailing gold price environment and lower mine grades. 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 in compliance with World Bank Equatorial principles and Malian laws 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 June 30		Six months ended June 30	
	2016	2015	2016	2015
Total Revenue	2,960	3,379	6,211	6,466
Total Expenses	(4,565)	(4,672)	(8,376)	(8,081)
Other expenses	(1,258)	(980)	(1,443)	(791)
Net loss	(2,863)	(2,273)	(3,608)	(2,406)
Net loss from continuing operations attributable to parent	(2,326)	(1,860)	(2,745)	(1,774)
Net loss per share attributable to parent	(\$0.008)	(\$0.006)	(\$0.009)	(\$0.006)
Weighted average shares outstanding	304,434,523	268,887,267	304,382,232	274,229,019

Balance Sheet

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Dec 31, 2015</u>
Working capital surplus	6,968	13,307	8,803
Total assets	25,051	32,782	27,958
Total non-current liabilities	3,446	10,863	8,062
Shareholders' equity	30,379	32,450	32,738

Results of Operations, Six Months Ended June 30, 2016

Metal revenues reduced to \$6,211,000 in the half year to June 30, 2016 from \$6,466,000 in the half year to June 30, 2015. The reduction in revenue was due to a 5% reduction in ounces sold from 5,332 ounces in the half year to June 30, 2015 relative to 5,041 ounces in the half year to June 30, 2016. The reduction in revenue was partly offset by a 2% increase in the realised average sales price of gold from \$1,210 per ounce in the half year to June 30, 2015 to \$1,230 per ounce in the half year to June 30, 2016.

Total expenses increased by 4% from \$8,081,000 in the half year to June 30, 2015 to \$8,376,000 in the half year to June 30, 2016. The increase in expenses is mainly attributed to exploration costs expensed in the half year to June 2016 of \$270,000 compared to nil in the first half of 2015. Operating costs per ounce of gold sold for the half year to June 30, 2016 increased from \$1,000 per ounce to \$1,060 per ounce, which is mainly attributable to lower production in the current period relative to the comparative period.

Avnel recorded a net loss of \$3,608,000 (\$0.009 attributable loss per share) for the half year ended June 30, 2016 compared to a net loss of \$2,406,000 (\$0.006 attributable loss per share) in the half year to June 30, 2015. Included in the half year to June 30, 2016 is a loss on the fair value of derivative financial instruments of \$1,381,000 compared to a loss of \$679,000 in the first half of 2015, 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 consolidated statement of financial position as at December 31, 2015, Avnel's cash and cash equivalents as at June 30, 2016 reduced by \$3,114,000 from \$7,211,000 to \$4,097,000 arising from cash used in operating of \$2,650,000 together with the cash used in exploration and evaluation asset expenditures of \$606,000. The Company had a working capital surplus, excluding derivative financial liabilities of \$6,968,000 as at June 30, 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 \$25,051,000 at June 30, 2016.

Total stockholders' equity reduced to \$30,379,000 as at June 30, 2016 from \$32,738,000 as at December 31, 2015.

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 km² Kalana Exploitation Permit to discover new mineral deposits.

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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). 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 *National Instrument 43-101 – Standards of Disclosure for Mineral Projects* ("NI 43-101") compliant technical report titled "NI43-101 Technical Report on Kalana Main Project", dated effective 1 April 2016 (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 Wiid (Principal Consultant – Tailings and Waste Rock Facilities of Epoch Resources), and Mr. Stephanus (Fanie) Coetzee (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".