



## **Avnel Reports Files Financial Statements and MD&A for three and six months ended June 30, 2017**

**ST. PETER PORT, GUERNSEY, August 10, 2017** – Avnel Gold Mining Limited (“Avnel” or the “Company”) (TSX:AVK) is reporting that it has filed its unaudited Interim Consolidated Financial Statements and the related Management Discussion & Analysis (“MD&A”) for the three and six month periods ended June 30, 2017 on SEDAR.

### ***Second Quarter 2017 Highlights***

- Announced scheme of arrangement whereby Endeavour Mining Corporation (“Endeavour”) will acquire Avnel in an all share transaction (see joint press release dated June 29, 2017 and description below)
- Avnel reports Indicated Mineral Resources of 119,000 ounces of gold at a diluted grade of 3.35 g/t at Kalanako Deposit at \$1,400/oz.

### ***Subsequent to June 30, 2017:***

- On July 21, 2017, the Royal Court of Guernsey Court (the “Guernsey Court”) granted its initial order (the “Court Order”) to convene a meeting of shareholders (the “Court Meeting”) and to approve the Scheme (as defined below) and other matters set out in the Court Order; a sanction hearing is currently scheduled for September 14, 2017.
- In connection with the implementation of the Scheme, Avnel shareholders will, at a general meeting (the “Extraordinary General Meeting”) to take place immediately following the Court Meeting, consider amendments to Avnel’s articles of incorporation intended to ensure that upon completion of the Scheme, Endeavour is the sole shareholder of Avnel.
- On August 4, 2017, the circular proposing the Scheme (the “Circular”) and other meeting materials were sent to Avnel’s shareholders and filed with the Canadian securities authorities.
- The Court Meeting and Extraordinary General Meeting are scheduled to take place on August 31, 2017 in Toronto.

### ***Outlook***

In March 2016, a positive Feasibility Study for the Kalana Main Project was completed and the related environmental and social impact assessment (the “ESIA”) and associated Environmental and Social Management Plan (the “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 plus two ten year extensions. 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”).

In January 2017, the Company announced the results of an optimisation of the Feasibility Study (see Kalana Main Project Optimisation below). The results enhanced the financial parameters for the project and reduced the execution risk for construction and operations.

On June 29, 2017 (London time), Avnel and Endeavour announced that they had entered into an arrangement agreement (the "Arrangement Agreement") pursuant to which Endeavour will acquire all of the issued and outstanding ordinary shares of Avnel (the "Avnel Shares") in an all share transaction to be completed by way of a court-sanctioned scheme of arrangement under Part VIII of the Companies (Guernsey) Law, 2008 (the "Scheme") for a total consideration as of the date of announcement of approximately US\$122 million (C\$159 million). Under the terms of the Arrangement Agreement, Avnel shareholders are to receive 0.0187 of an Endeavour share (each whole share an "Endeavour Share") for each Avnel Share held, which represents a value of C\$0.42 per Avnel Share based on Endeavour's five-day volume weighted average price ("VWAP") (C\$22.58 per share) on the Toronto Stock Exchange ("TSX") on June 28, 2017. See "Proposed Acquisition of Avnel by Endeavour" in this MD&A for further information regarding the Arrangement Agreement and the Scheme.

The Company advanced the resettlement action plan (the "RAP") of impacted persons resulting from the future operation. Final urban planning approval for the extension of Kalana Town is expected by Quarter 3, 2017 and this will allow construction of new housing and public infrastructure to commence when funding is available. The RAP Commission to oversee the process was established by the Malian authorities and will implement the plan in consultation with all stakeholders according to Malian legislation and IFC Performance Standards.

The Company is committed to construct and operate the Project in compliance with Malian legislation, the Equator Principles and IFC Performance Standards. Resources are being applied to the health, safety and environmental policies and systems to meet this commitment.

With respect to operations at the small, Soviet-era, underground mine (the "Kalana Mine"), gold production in the quarter to June 30, 2017 was 2,079 ounces. 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 underground 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 Project. The Company intends to sustain operations for as long as it is economically feasible and safe to do so, without incurring any significant capital expenditures, until such a time as the Company is able to commence construction of the Kalana Main Project.

### ***Overview of the Company***

Avnel is a junior natural resource company engaged in the business of exploration, mine development, and the mining and extraction of precious metals, principally gold, with operations in south-western Mali, on the border with Guinea, in West Africa. The Company is a reporting issuer in each of the provinces of Canada other than Quebec, and its ordinary shares are listed for trading on the TSX under the symbol "AVK".

The Company's principal asset is an 80% indirect equity interest in SOMIKA, in which the Republic of Mali holds the remaining 20% equity interest, which has free carry and anti-dilution rights. SOMIKA owns and operates the Kalana Mine, a small, Soviet-era, underground gold mine, and holds rights to

the Kalana Exploitation Permit, a combined exploitation and exploration permit that is unique in Mali, which was awarded to Avnel in 2003 for an initial term of 30 years. This permit is also host to the Kalanako target, on which a mineral resource has been declared, the Djirila discovery, and 29 advanced exploration targets, including the Kalana Main Project, the Company's flagship development-stage project. A positive Feasibility Study has been completed for the Kalana Main Project and the ESIA for the development of a new mine has been approved by the Malian authorities.

The Company's strategic objective, through SOMIKA, is to develop the Kalana Main Project into an open-pit mining operation. A secondary objective of the Company is to explore the remainder of the Kalana Exploitation Permit to upgrade existing mineral resources and discover new mineral deposits.

### ***Proposed Acquisition of Avnel by Endeavour Mining Corporation***

Endeavour and Avnel announced on June 29, 2017 that they had reached an agreement under which Endeavour will acquire Avnel in an all-share transaction for a total consideration as of the date of announcement of approximately US\$ 122 million (CAD\$ 159 million).

Endeavour will acquire 100% of Avnel's issued and outstanding ordinary shares under the Scheme, subject to the satisfaction of various conditions, including the receipt of the requisite approval of Avnel shareholders. On July 21, 2017, the Guernsey Court granted the Court Order to convene the Court Meeting and to approve the other matters set out in the Court Order. A court sanction hearing is currently scheduled for September 14, 2017.

Under the terms of the Scheme, Avnel shareholders will receive 0.0187 of an Endeavour share for each Avnel Share held, which represents a value of C\$0.42 per Avnel Share based on Endeavour's 5 day VWAP (C\$ 22.58 per share) on the TSX on June 28, 2017 and a total transaction consideration of approximately C\$159 million (US\$122 million). This represents a premium of 48% to the closing price of Avnel's ordinary shares on the TSX on June 28, 2017, and a 52% premium based on Avnel's 20-day trailing VWAP on the TSX for the period ending on June 28, 2017.

The number of Endeavour Shares to be issued under the Scheme will be approximately 7 million based on the issued and outstanding shares of Avnel as of the date of the announcement of the Scheme. Following the completion of the transaction, Endeavour will have approximately 103.6 million ordinary shares in issue, with former Avnel shareholders holding approximately 6.8% of Endeavour's pro forma share capital.

BMO Capital Markets Limited ("BMO Capital Markets") and Cormark Securities Inc. ("Cormark") have provided opinions to the Avnel Board of Directors that as of the date of such opinions and subject to the assumptions, limitations, and qualifications stated in such opinions, the consideration to be received by the Avnel shareholders under the transaction is fair, from a financial point of view, to the Avnel shareholders (other than affiliates of Elliott Management Corporation (the "Elliott Group")).

The Scheme has been unanimously approved by the Boards of Directors of Avnel and Endeavour and will be subject to, among other things, the favourable vote by a majority in number of the Avnel shareholders voting at the Court Meeting, either in person or by proxy, representing at least 75% in value of the Avnel Shares voted.

The Avnel Board has unanimously recommended that Avnel scheme shareholders vote for the Scheme at the Court Meeting and that Avnel shareholders vote for the General Meeting Resolution (as defined in the Circular) at the Extraordinary General Meeting. On June 29, 2017, Endeavour obtained irrevocable undertakings from the members of the Elliott Group, the Fern Trust and the Avnel director who owned Avnel Shares, and subsequently received an irrevocable undertaking from an Avnel officer who owned Avnel Shares. As of the date of the Circular, the Avnel shareholders party to the irrevocable undertakings held 272,938,111 Avnel Shares, representing approximately 72.05% of the Avnel Shares.

A copy of the Arrangement Agreement, the irrevocable undertakings, the Circular and ancillary documents required to be filed with the Canadian securities regulatory authorities have been filed and made available for viewing on the System for Electronic Documents Analysis and Retrieval ("SEDAR") website at [www.sedar.com](http://www.sedar.com).

Closing of the transaction is subject to customary conditions, including shareholder approval, as well as sanction of the Scheme by the Guernsey Court.

Subject to the satisfaction of various conditions, including the receipt of the requisite approval of Avnel shareholders and sanction by the Guernsey Court, the transaction is expected to close on or about September 18, 2017. Details concerning the review and approval process carried out by the Special Committee and the Board of Avnel, together with a copy of the fairness opinions prepared by BMO Capital Markets and Cormark are contained in the Circular.

***Results of Operations, Three and Six Months Ended June 30, 2017***

	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Total Revenue	2,423	2,960	4,823	6,211
Total Expenses	(5,032)	(4,565)	(8,838)	(8,376)
Other expenses	(10)	(1,258)	(2,152)	(1,443)
Net loss	(2,619)	(2,863)	(6,167)	(3,608)
Net loss from continuing operations attributable to parent	(2,067)	(2,326)	(5,133)	(2,745)
Net loss per share attributable to parent	(\$0.005)	(\$0.008)	(\$0.014)	(\$0.009)
Weighted average shares outstanding	376,693,300	304,434,523	371,738,130	304,382,323

<b>Balance Sheet</b>	<b><u>June 30, 2017</u></b>	<b><u>June 30, 2016</u></b>	<b><u>Dec 31, 2016</u></b>
Working capital surplus	10,388	6,968	4,492
Total assets	32,231	25,051	24,815
Total non-current liabilities	3,762	3,446	3,653
Shareholders' equity	43,538	30,379	34,494

Metal revenues decreased to \$4,823,000 in the half year to June 30, 2017 from \$6,211,000 in the half year to June 30, 2016. The decrease in revenue is a result of a 23% decrease in ounces sold from 5,041 ounces in the half year to June 30, 2016 relative to 3,879 ounces in the half year to June 30, 2017, which was partly offset by a 1% increase in the realised average sales price of gold from \$1,230 per ounce in the half year to June 30, 2016 to \$1,241 per ounce in the half year to June 30, 2017.

Total expenses increased from \$8,376,000 in the half year to June 30, 2016 to \$8,838,000 in the half year to June 30, 2017. The increase partly resulted from an increase in administrative costs which included \$950,000 of due diligence costs on third parties and financing. Operating costs per ounce of gold sold for the half year to June 30, 2017 increased from \$1,060 per ounce to \$1,284 per ounce resulting mainly from reduced production.

Avnel recorded a net loss of \$6,167,000 (\$0.014 attributable loss per share) for the half year to June 30, 2017 compared to a net loss of \$3,608,000 (\$0.009 attributable loss per share) in the half year to June 30, 2016. Included in the half year to June 30, 2017 is a loss on the fair value of derivative financial instruments of \$1,993,000, compared to a loss of \$1,381,000 in the half year to June 30, 2016. The fair value accounting gains and losses reported have no cash effect on the Company.

As compared to the balance sheet as at December 31, 2016, Avnel's cash and cash equivalents as at June 30, 2017 increased by \$5,155,000 from \$3,720,000 to \$8,875,000 arising from cash proceeds from the exercise of warrants of \$10,205,000, offset by cash used in operations of \$4,364,000 and cash used in investing activities of \$769,000.

There was a working capital surplus of \$10,388,000 as at June 30, 2017 compared to a working capital surplus of \$4,492,000 as at December 31, 2016. Total assets increased from \$24,815,000 as at December 31, 2016 to \$32,231,000 at June 30, 2017. Total provisions increased from \$3,653,000 as at December 31, 2016 to \$3,762,000 at June 30, 2017. Total stockholders' equity increased to \$43,538,000 as at June 30, 2017 from \$34,494,000 as at December 31, 2016.

### **Second Quarter Results**

Metal revenues reduced to \$2,423,000 in the quarter to June 30, 2017 from \$2,960,000 in the quarter to June 30, 2016, which is attributed to a reduction in gold sales from 2,344 ounces in the quarter to June 30, 2016 to 1,923 ounces in the quarter to June 30, 2017. The decrease in gold sales was also due to a decrease in the realised average sales price of gold from \$1,260 per ounce in quarter to June 30, 2016 to \$1,257 per ounce in quarter to June 30, 2017.

Total expenses increased from \$4,565,000 in the quarter to June 30, 2016 to \$5,032,000 in the quarter to June 30, 2017. The increase resulted from an increase in administrative costs which included due diligence costs on third parties and financing. Operating costs per ounce of gold sold for the quarter to June 30, 2017 reduced from \$1,322 per ounce to \$1,256 per ounce.

Avnel recorded a net loss of \$2,619,000 (\$0.005 attributable loss per share) for the quarter to June 30, 2017, compared to a net loss of \$2,863,000 (\$0.008 attributable loss per share) in the comparative period in 2016. Included in the quarter to June 30, 2017 is a profit on the fair value of derivative financial instruments of \$19,000, compared to a loss of \$1,206,000 in the quarter to June 30, 2016, arising from changes in the fair value of ordinary share warrants. The fair value accounting gains and losses reported have no cash effect on the Company.

Avnel's cash and cash equivalents reduced by \$1,899,000 in the quarter to June 30, 2017 from \$10,775,000 to \$8,875,000 mainly arising from cash used in operating activities \$1,643,000 and cash used in investing activities \$312,000.

#### **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.

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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](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 *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 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”.