



Avnel Files Third Quarter 2016 Financial Statements and MD&A

ST. PETER PORT, GUERNSEY, November 11, 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 nine month periods ended September 30, 2016 on SEDAR.

Third Quarter 2016 Highlights

- Discussions advance with banks and financial institutions on financing the Kalana Main Project
- Repairs to bridge at the Bale River completed, enabling safe delivery of heavy loads of project equipment in 2017
- Detailed design of Tailings Dam Storage Facility (“TSF”) completed and tender document for construction ready to be issued
- Tender for Engineering, Procurement and Construction Management (“EPC”) for the gold plant and infrastructure issued and proposals received
- Project optimisation shows potential for project construction to be completed in 19 months, a 3 month shorter timeframe than set out in the Definitive Feasibility Study (“DFS”).
- Optimisation identified potential engineering improvements to reduce cost and operation risk
- Development of Environmental Social Management Plan (“ESMP”) and International Finance Corporation Performance standards advanced

Subsequent to September 30, 2016:

- Announced infill and extension drilling programme on the Kalanako deposit and regional exploration activity in Q4 2016 and Q1 2017
- Appointed Anne-S  verine Le Doar   to the Board of Directors
- Base shelf prospectus filed on SEDAR
- Appointed DRA Mineral Services and Group 5 Joint Venture to execute the EPC for the Kalana Project, subject to final contractual documentation

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 plus two ten year extensions. 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 Soci  t   d’Exploitation des Mines d’Or de Kalana, S.A. (“SOMIKA”). Discussions are progressing 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 in 2017, 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 nine months to September 30, 2016 was 7,181 ounces. The Company forecasts gold production of 9,000 ounces for the full year of 2016. 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 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 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.

Kalana Main Project Update

In preparation for the approval to commence construction of the Kalana Main Project, a number of activities have progressed during the third quarter 2016

1. The existing road bridge across the Bale River is located on the National Route between Yanfolila and Kalana. Following an updated engineering inspection of the bridge by a South African Engineering Consultant, the company initiated a repair project with the National Roads Department. The repair work was completed in Q3 when the water level in the river allows access to bridge foundations and steelwork. The Engineering Consultant confirms the load capacity of the bridge is 100 tonnes following the repair work. This is sufficient for the maximum loads required for the project and will be safe for transport during 2017. The project cost of US\$180,000 was funded by SOMIKA and two mining companies who also require this bridge for access to their projects.
2. EPOCH Resources (Pty.) Ltd., a specialist tailings storage consultant, was appointed in June 2016 to commence the final design for the TSF (Tailings Storage Facility), SWCD (Storm Water Control Dam) and WRD (Waste Rock Dump). In 2015/2016 EPOCH completed DFS design and cost estimate. EPOCH completed the detailed design for this work package, including detailed engineering drawings, a revised bill of quantities, construction specifications and complete tender document. The tender package was put out to tender in November 2016 with award of the contract expected to be in early 2017.
3. Avnel issued a tender for the EPC services for the Kalana Gold Plant and associated infrastructure. Two international Engineering Companies were selected and have submitted bids for the EPC and the company is evaluating the proposals.
4. Based on the EPC tender proposals, the project construction time table will be reduced by 3 months. On completion of Phase 1 existing tailings will be processed using the CIL and gold recovery circuits. The Feasibility Study assumed Phase 1 would be complete in month 17 and the optimized schedule is 15 months. On completion of Phase 2, the mill will be commissioned to process sapolite ore. The Feasibility Study assumed Phase 2 would be complete in month 22 and the optimized schedule is 19 months.
5. As part of the optimisation process, Avnel is in advanced discussions with an international Power Provider to the mining industry to provide an "over the fence" power supply based on a hybrid plant utilizing fossil fuel and solar energy sources. The Power Provider will fund the project capital and charge the company a rate per kWh. If implemented the capital cost in the Feasibility

Study will be significantly reduced. For the first 5 years operating cost per kWh will be impacted by the recovery of capital investment. The project predicts that 20% of the power requirements will be generated from the solar plant, leading to significant cost reductions and lower environmental impact. Project risk is reduced by the power provider being contracted for the operation and maintenance of the power plant, plus the risk of any higher fossil fuel prices

6. The process flow sheet was reviewed and a strategic decision made to incur additional capital expenditure in the up-front crushing circuits. When processing saprolite material there is potential risk that increased moisture content can lead the sticky material that can cause delays in production. Whilst the risk is considered low for Kalana saprolites, there is potential to identify additional ore resources close to Kalana, such as Kalanako, where sticky ore may be a higher risk. The engineering solution is to install a mineral sizer through which saprolite will pass directly to the mill. Mineral sizers are used in some mines in West Africa, particularly where the saprolite is stickier than Kalana saprolites. The Feasibility Study proposed saprolite would pass through a jaw crusher prior to milling. Fresh ore would also pass through the jaw crusher and then be crushed in a secondary crushing circuit. As fresh ore will not be milled until month 30 of the project, the capital expenditure for the ROM bin, jaw crusher and secondary crusher will be postponed for one year. In addition the second standby secondary crusher will be removed from the flow sheet. The impact on capital expenditure is estimated as \$1.4 million for the mineral sizer circuit with a reduction of \$800,000 in the secondary crushing circuit. The benefit is a strategic related to other sources of saprolite, reducing risk during the initial two years of production with saprolite being the major ore source and deferred capital
7. SOMIKA has appointed ABS Africa, a South African Environmental Consultant, to assist in the drafting of the action plans required to comply with the ESIA and IFC Performance standards. ABS Africa prepared the ESIA completed in Q1 2016 and approved by the Malian Authorities. During Q3 significant progress has been made and the ESMS (Environmental and Social Management System) and Actions Plans will be completed Q4.
ESDCO, a leading Malian Environmental Consultancy, has been appointed to provide external consultant expertise for the implementation of the approved Resettlement Action Plan ("RAP") in line with Malian legislation and IFC Performance Standards. The RAP will be implemented by a Steering Committee headed by the Prefet of Yanfolila. The Committee members include local government administration officials, representatives of Technical Agencies (environment/forestry/land usage, health and education), the Mayor of the Commune, village chiefs, associations representing youth/women/disadvantaged individuals/hunters, artisanal miners, transport companies. Recently an Association has been formed to represent the interests of impacted persons and has been formally recognised and will participate in the Committee
ESDCO completed the RAP and socio-economic study as part of the ESIA. ESDCO has a major role to play as an independent expert within the Committee.
The Committee will formally commence in December 2016 after the local government elections in Mali in November.
8. An ESIA is being prepared for the 5.5 Km public road diversion around the new mine infrastructure. This will replace the existing public road to Kalana Town. The ESIA will be submitted in Q4 and approval is expected in Q1, 2017
9. The site for the relocation of impacted persons was identified by the Community in Q1 2016. During Q3 2016 SOMIKA has completed a geotechnical survey of the site and the results provided to ESDCO urban development specialists and the Administration Authorities. The Mayor has submitted a letter to the Governor of Sikasso providing a request to allow development of an urban area south of Kalana Town for the Resettlement Action Plan. This is the first step in the formal process of approval for the new urban area.

Exploration Upside

Kalana Main Project Reserves per development stages

Although the lateral near-surface extents of the Kalana Main deposit seem to have been fairly well defined, the company believes that the deposit could be improved in grade and quality in the deepest part of both the reserve and resource pits. Indeed the drop in ore grade (from 3.1 to 2.5g/t Au) and the strong increasing of the strip ratio observed in the DFS stage 12 (reserve pit) as well as in the deep resource (not yet included into reserve), are both interpreted as being the result of 1) the less dense drilling pattern at depth; 2) the decreasing of the average DDH core diameter and subsequent sample size and 3) the lack of large RCH sample alternating with cored samples. These 3 factors cannot be entirely managed from surface and an in-pit infill exploration drilling campaign has been designed.

| | Waste | | Total Reserve | | |
|----------------|--------------|-------------|---------------|----------------|--------------|
| | Tonnes (Mt) | Strip Ratio | Tonnes (Mt) | Grade (g/t Au) | Ounces (Moz) |
| Tailings | - | - | 0.7 | 1.8 | 0.044 |
| Stages 1 to 11 | 112.1 | 8.9 | 12.6 | 3.1 | 1.25 |
| Stage 12 | 95.7 | 11.4 | 8.4 | 2.5 | 0.67 |
| Total | 207.8 | 9.9 | 21.7 | 2.8 | 1.964 |

There is also significant regional exploration potential. Avnel's exploration team has dedicated significant resources to the evaluation of regional exploration prospects outside of the Kalana Main area. This initial work is based upon historical data carried out by others, regional work conducted by Avnel and the IAMGOLD Corporation, and the Company's field surveys of active and historical orpillage. This work, which is still ongoing, is used to prioritise targets for future exploration. An advanced geochemical survey, started in October 2016, has been designed to improve the knowledge on 3 to 5 high priority prospects, which are at the grassroots level in our exploration pipeline.

A high-priority exploration project for the Company is the Kalanako deposit. The deep weathering profile at Kalanako displays a potential free digging high-grade ore satellite located less than 3 km northeast of the Kalana Main Project proposed mill site. The Kalanako deposit currently has an Inferred in-situ resource of 0.38 Mt grading 5.55 g/t Au, containing 0.07 Moz of gold. The March 2015 Kalanako Mineral Resource Statement was completed by Denny Jones Pty Ltd, at a cut-off grade of 0.9 g/t Au based upon information from 46 diamond drill holes (9,661m) and 232 RC drill holes (24,952m); no local estimates for internal or external dilution. The current Kalanako maiden mineral resource is based on a wide drill spacing (75m x 25m). Several mineralized trends have been established from RC and diamond drilling at Kalanako, resulting in a single northwest-southeast corridor of 1,500 meters by 250 meters. These mineralized zones are less than 10 meters thick and appear to be steeply dipping, often contain high-grade intercepts near surface.

Kalanako Drilling and Regional Exploration

New drilling is expected to start mid-November 2016. This RC infill drilling campaign of 7,000m to 9,000m has been designed to improve grade continuity infilling the in-pit resource to upgrade resource classification and, using historical data as a guide, to increase the total amount of resources drilling the mineralised zones between these resource pits. The infill drilling programme will be focused on saprolite and saprock weathered domains, a depth considerably deeper than observed at Kalana Main (drillhole depth of 75-175 meters). Please refer to the press release dated October 17, 2016 for further details

Selected Financial Information

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

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|------------------------------------|-------------|-----------------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| Total Revenue | 2,714 | 2,280 | 8,925 | 8,746 |
| Total Expenses | (3,573) | (3,953) | (11,949) | (12,034) |
| Other income | 3,747 | 2,498 | 2,304 | 1,707 |
| Net profit/(loss) | 2,888 | 825 | (720) | (1,581) |
| Net profit/(loss) from continuing operations attributable to parent | 3,278 | 1,352 | 533 | (422) |
| Net profit/(loss) per share attributable to parent | \$0.011 | \$0.004 | \$0.002 | (\$0.001) |
| Weighted average shares outstanding | 307,994,100 | 304,330,124 | 305,596,044 | 284,372,981 |

Balance Sheet

| | <u>Sept 30, 2016</u> | <u>Sept 30, 2015</u> | <u>Dec 31, 2015</u> |
|-------------------------------|----------------------|----------------------|---------------------|
| Working capital surplus | 6,861 | 10,953 | 8,803 |
| Total assets | 25,710 | 30,166 | 27,958 |
| Total non-current liabilities | 3,495 | 8,316 | 8,062 |
| Shareholders' equity | 34,798 | 34,149 | 32,738 |

Results of Operations, Nine Months Ended September 30, 2016

Total revenue increased to \$8,925,000 in the nine months to September 30, 2016, from \$8,746,000 in the nine months to September 30, 2015. The increase in revenue is a result of a 6% increase in the realised average sales price of gold from \$1,183 per ounce in the nine months to September 30, 2015, to \$1,258 per ounce in the nine months to September 30, 2016. The increase in revenue was partly offset by a 4% decrease ounces sold from 7,376 ounces in the nine months to September 30, 2015 to 7,079 ounces in the nine months to September 30, 2016.

Total expenses reduced slightly from \$12,034,000 in the nine months to September 30, 2015 to \$11,949,000 in the nine months to September 30, 2016. Exploration costs expensed was \$392,000 in the nine months to September 2016, compared to nil in the nine months to September 2015. Operating costs per ounce of gold sold for the nine months to September 30, 2016 reduced from \$1,092 per ounce to \$1,053 per ounce, which is attributable to lower operating costs in the current period relative to the comparative period.

Avnel recorded a net loss of \$720,000 (\$0.002 attributable profit per share to parent) for the nine months ended September 30, 2016, compared to a net loss of \$1,581,000 (\$0.001 attributable loss per share to parent) in the nine months to September 30, 2015. Included in the nine months to September 30, 2016 is a profit on the fair value of derivative financial instruments of \$2,428,000, compared to a profit of \$1,897,000 in the nine months of 2015, arising from a change in the fair value of warrants outstanding and exercised. The fair value accounting gains and losses reported have no cash effect on the Company.

As compared to the interim consolidated statement of financial position as at December 31, 2015, Avnel's cash and cash equivalents as at September 30, 2016 decreased by \$2,798,000, from \$7,211,000 to \$4,413,000. The decrease was the result of cash provided in operations of \$2,621,000 and cash used in investing activities of \$1,056,000, that was partly offset by the exercise of warrants and options \$873,000. The Company had working capital of \$6,861,000 as at September 30, 2016, compared to working capital of \$8,803,000 as at December 31, 2015. Total assets decreased from \$27,958,000 as at December 31, 2015 to \$25,710,000 at September 30, 2016.

Total non-current liabilities reduced from \$8,062,000 as at December 31, 2015 to \$3,495,000 at September 30, 2016, mainly due to value of the outstanding warrants moving from a non-current liability to a current liability. The fair value of these derivative financial instruments has no cash effect on the Company.

Total stockholders' equity increased to \$34,798,000 as at September 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.

For further information, please contact:

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

Ian McDonald

Vice-President, Corporate Development

Phone : +1 647 407 2515

Email: imcdonald@avnelgold.com

www.avnelgold.com

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".