



**AVNEL GOLD MINING LIMITED**

NOTICE OF  
ANNUAL GENERAL MEETING  
OF SHAREHOLDERS  
TO BE HELD ON  
MAY 22, 2014

AND

MANAGEMENT PROXY CIRCULAR

AND

FORM OF PROXY



## AVNEL GOLD MINING LIMITED

### Notice of Annual General Meeting of Shareholders

Notice is hereby given that the annual general meeting of the holders of ordinary shares of Avnel Gold Mining Limited (the “**Company**”) will be held at The Simcoe Suite, Hilton Toronto, 145 Richmond Street West, Toronto, Ontario, M5H 2L2, Canada on May 22, 2014, at 10:00 a.m. (Toronto time) for the following purposes:

- (a) to receive the Company’s Annual Report which contains the audited comparative consolidated financial statements as at and for the financial year ended December 31, 2013 and the auditors’ report thereon, a copy of which is enclosed herewith;
- (b) to elect the directors of the Company;
- (c) to re-appoint the auditors and to authorise the board of directors of the Company to fix their remuneration; and
- (d) to transact such other business as may properly come before the meeting or any adjournment thereof.

The specific details of the foregoing matters to be put before the meeting are set forth in the Management Proxy Circular accompanying this Notice of Meeting.

Shareholders are invited to attend the meeting. **Registered shareholders** who are unable to attend the meeting in person are requested to complete, date and sign the enclosed form of proxy and send it in the enclosed envelope or otherwise to the Secretary of the Company c/o Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, Canada, M5J 2Y1, fax number 1-866-249-7775 / 416-263-9524 or to the Secretary of the Company directly at the Company’s registered office, which is located at 1<sup>st</sup> and 2<sup>nd</sup> floors, Elizabeth House, Les Ruettes Brayes, St. Peter Port, Guernsey, GY1 1EW, fax number 44 1481 711 220.

**Non-registered shareholders** who receive these materials through their broker or other intermediary are not entitled to vote their shares in person at the meeting unless they appoint themselves as proxyholder in accordance with the instructions in the enclosed form of proxy or voting instruction form. Accordingly, non-registered shareholders are encouraged to complete and send the form of proxy or voting instruction form in accordance with the instructions provided by their broker or intermediary regardless of whether they plan to attend the meeting.

To be effective, a proxy must be received by Computershare Investor Services Inc. or the Secretary of the Company not later than Tuesday, May 20, 2014 at 10:00 a.m. (Toronto time), or in the case of any adjournment of the meeting, not less than two business days prior to the time of the adjournment.

DATED April 17, 2014.

By Order of the Board of Directors

**“H.B. Miller”**  
\_\_\_\_\_  
Howard B. Miller  
Chairman



## AVNEL GOLD MINING LIMITED

### Management Proxy Circular for the Annual General Meeting of Shareholders to be held on May 22, 2014

*Unless otherwise indicated, information in this Circular is given as of March 31, 2014 and all dollar amounts in this Circular are expressed in United States dollars.*

#### PROXIES

##### Solicitation of Proxies

**This Management Proxy Circular (the “Circular”) is furnished in connection with the solicitation, by or on behalf of the management of Avnel Gold Mining Limited (“Avnel” or the “Company”), of proxies to be used at the Company’s annual general meeting (the “Meeting”) of the holders of ordinary shares (the “Common Shares”) to be held at 10:00 a.m. (Toronto time) on May 22, 2014 or at any adjournment thereof.** It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally, by advertisement or by telephone, by directors, officers or employees of the Company without special compensation, or by the Company’s transfer agent, Computershare Investor Services Inc., at nominal cost. The cost of soliciting will be borne by the Company.

##### Delivery of Meeting Materials

The Company is sending paper copies of the notice of the Meeting, this Circular and the form of proxy or voting instruction form (the “**Meeting Materials**”) to registered and non-registered shareholders and is not relying on the “notice-and-access” provisions of Canadian securities laws. In the case of non-registered shareholders, the Meeting Materials are being sent indirectly through such shareholders’ brokers or other intermediaries. The Company intends to pay for intermediaries to deliver the Meeting Materials to “objecting beneficial owners” (as defined in National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*).

##### Appointment of Proxyholder

The person(s) designated by management of the Company in the enclosed form of proxy are directors or officers of the Company. **Each shareholder has the right to appoint as proxyholder a person or company (who need not be a shareholder of the Company) other than the person(s) designated by management of the Company in the enclosed form of proxy to attend and act on the shareholder’s behalf at the Meeting or at any adjournment thereof.** Such right may be exercised by inserting the name of the person or company in the blank space provided in the enclosed form of proxy or by completing another form of proxy.

In the case of *registered shareholders*, the completed, dated and signed form of proxy should be sent in the enclosed envelope or otherwise to the Secretary of the Company c/o Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, Canada, M5J 2Y1, fax number 1 866-249-7775 / (416) 263-9524 or to the Secretary of the Company directly at the

Company's registered office, which is located at 1<sup>st</sup> and 2<sup>nd</sup> floors, Elizabeth House, Les Ruettes Brayes, St. Peter Port, Guernsey, GY1 1EW, fax number 44 1481 711 220.

In the case of *non-registered shareholders* who receive these materials through their broker or other intermediary, the shareholder should complete and send the form of proxy or voting instruction form in accordance with the instructions provided by their broker or other intermediary. Non-registered shareholders who wish to attend and vote their Common Shares in person at the Meeting must appoint themselves as proxyholder in accordance with the instructions in the form of proxy or voting instruction form.

To be effective, a proxy must be received by Computershare Investor Services Inc. or the Secretary of the Company not later than 10:00 a.m. (Toronto time) on Tuesday, May 20, 2014, or in the case of any adjournment of the Meeting, not less than two business days prior to the time of the adjournment.

### **Revocation of Proxy**

A registered shareholder who has given a proxy may revoke it by depositing an instrument in writing signed by the shareholder or by the shareholder's attorney, who is authorised in writing, at the registered office of the Company (or by transmitting by electronic means a revocation signed by electronic signature by the shareholder or by the shareholder's attorney, who is authorised in writing, to the attention of the Secretary of the Company at fax number 44 1481 711 220 at any time up to and including the last business day preceding the day of the Meeting, or in the case of any adjournment of the Meeting, the last business day preceding the day of the adjournment, or with the Chair of the Meeting on the day of, and prior to the start of, the Meeting or any adjournment thereof. A shareholder may also revoke a proxy in any other manner permitted by law.

Only a registered shareholder of the Company has the right to revoke a proxy. If you are a non-registered shareholder and wish to change your vote or proxy nominee, you must arrange for the intermediary in whose name your common shares are registered to revoke the proxy on your behalf in accordance with the instructions of such intermediary set out in the form of proxy or voting instruction form you received with the Notice of Meeting. Intermediaries may set deadlines for the receipt of revocation notices that are farther in advance of the Meeting than those set out above.

### **Voting of Proxies**

On any ballot that may be called for, the Common Shares represented by a properly executed proxy given in favour of the person(s) designated by management of the Company in the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions given on the form of proxy, and if the shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. **If no choice is specified in the proxy with respect to a particular matter, the Common Shares represented by the proxy will be voted FOR such matter.**

The enclosed form of proxy confers discretionary authority upon the person(s) named therein to decide how to vote with respect to amendments to matters identified in the accompanying Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournment thereof. As of the date of this Circular, management of the Company is not aware of any such amendment or other matter to come before the Meeting. However, if any amendments to matters identified in the accompanying Notice of Meeting or any other matters which are not now known to management should properly come before the Meeting or any adjournment thereof, the Common Shares represented by properly executed proxies given in favour of the

person(s) designated by management of the Company in the enclosed form of proxy will be voted on such matters pursuant to such discretionary authority.

## VOTING SHARES

### Voting Shares

As at March 31, 2014, the Company had 191,743,724 Common Shares issued and outstanding, each carrying the right to one vote per Common Share. Except as otherwise noted in this Circular, a simple majority of the votes cast at the Meeting, whether in person, by proxy or otherwise, will constitute approval of any matter submitted to a vote.

### Record Date

The board of directors of the Company (the “**Board of Directors**” or the “**Board**”) has fixed April 17, 2014 as the record date for the purpose of determining holders of Common Shares entitled to receive notice of and to vote at the Meeting. Any holder of Common Shares of record at the close of business on the record date is entitled to vote the Common Shares registered in such shareholder’s name at that date on each matter to be acted upon at the Meeting.

### Principal Shareholders

To the knowledge of the directors and executive officers of the Company, as at March 31, 2014, no person beneficially owned, directly or indirectly, or controlled or directed, more than 10% of the voting rights attached to the outstanding Common Shares of the Company except as stated below.

Name	Aggregate Number of Common Shares	Percentage of Outstanding Common Shares
“The Elliott Group” <sup>(1)</sup>	112,981,945	58.92%
Fern Trust <sup>(2)</sup>	33,602,022	17.52%
IAMGOLD Corporation <sup>(3)</sup>	20,190,000	10.53%

#### Notes:

- (1) “The Elliott Group” is comprised of Elliott Associates, L.P., Elliott International, L.P., Manchester Securities Corp. and The Liverpool Limited Partnership.
- (2) The family of Howard B. Miller, a director, Chairman of the Board and Chief Executive Officer of the Company, are beneficiaries of the Fern Trust.
- (3) Based on the insider reports publicly filed by IAMGOLD Corporation on the System for Electronic Disclosure by Insiders (SEDI) as of March 31, 2014.

## MATTERS TO BE ACTED UPON AT MEETING

### 1. Presentation of Financial Statements

The audited comparative consolidated financial statements of the Company as at and for the year ended December 31, 2013 and the auditors' report thereon, copies of which are contained in the Company's annual report to shareholders which accompanies this Circular, will be submitted at the Meeting. No vote will be taken on the financial statements.

### 2. Election of Directors

The number of directors to be elected at the Meeting is seven. Under the Memorandum and Articles of Association of the Company, directors of the Company are elected annually. Each director will hold office until the end of the next annual meeting or until the successor of such director is duly elected or appointed, unless such office is earlier vacated in accordance with the Memorandum and Articles of Association.

The Board has not adopted a "majority voting policy" with respect to uncontested director elections. A majority voting policy generally requires a director who receives more "withheld" votes than votes "for" his election to tender his resignation. Given that The Elliott Group holds more than 50% of the Common Shares, it has the ability to control the outcome of the election of directors. For this reason, the Board does not believe the implementation of a majority voting policy would be meaningful or appropriate at this time. The Board will periodically review and consider its position on the adoption of a majority voting policy.

At the Meeting, the persons nominated for election as a director will be voted on individually and the voting results for each nominee will be publicly disclosed in a news release filed on SEDAR at [www.sedar.com](http://www.sedar.com).

**In the absence of a contrary instruction, the person(s) designated by management of the Company in the enclosed form of proxy intend to vote FOR the election as directors of the proposed nominees whose names are set forth below, each of whom has been a director since the date indicated below opposite the proposed nominee's name.** Management does not contemplate that any of the proposed nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the Common Shares represented by properly executed proxies given in favour of such nominee(s) may be voted by the person(s) designated by management of the Company in the enclosed form of proxy, in their discretion, in favour of another nominee.

The following table sets forth information with respect to each person proposed to be nominated for election as a director, including the number of Common Shares of the Company beneficially owned, directly or indirectly, or over which control or direction was exercised, by such person or the person's associates or affiliates as at March 31, 2014. The information as to Common Shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Company, has been furnished by the respective proposed nominees individually.

<b>Nominee Name and Place of Residence</b>	<b>Principal Occupation<sup>(1)</sup></b>	<b>Director Since<sup>(2)</sup></b>	<b>Common Shares</b>
Anthony M. Bousfield <sup>(7)</sup> St. Andrews, Guernsey	Executive Chairman, Fern Group Limited	February 23, 2005	Nil
Ibrahim Kantao Bamako, Mali <sup>(3)(6)</sup>	Director General, AEL Mali SARL	February 23, 2005	Nil
John Kearney Toronto, Ontario, Canada <sup>(3)(4)</sup>	Chairman and President, Canadian Zinc Corporation	February 23, 2005	1,000
Derek Kyle Johannesburg, South Africa <sup>(3)(5)</sup>	Independent mineral consultant to the mining industry	February 23, 2005	Nil
Howard B. Miller London, United Kingdom <sup>(7)</sup>	Chief Executive Officer and Chairman of the Board of Directors, Avnel Gold Mining Limited	February 23, 2005	Nil
Jonas U. Rydell London, United Kingdom <sup>(8)</sup>	Senior Portfolio Manager, Elliott Advisors, UK	February 23, 2005	Nil
Roy Meade Bamako, Mali <sup>(9)</sup>	Executive Director – Operations, Avnel Gold Mining Limited	February 23, 2005	Nil

**Notes:**

- (1) The principal occupation of each of the directors for the preceding five years is set out in the table below.
- (2) Each director's term of office expires at the next annual general meeting of shareholders of the Company. Retiring directors are eligible for re-election.
- (3) Member of the Committee (as defined below), which performs the functions of an Audit Committee, a Compensation Committee, a Corporate Governance and Nominating Committee, and a Reserves, Resources and Environmental Committee.
- (4) Chairman of the Committee in respect of its Audit Committee function and its Corporate Governance and Nominating Committee function.
- (5) Chairman of the Committee in respect of its Reserves, Resources and Environmental Committee function.
- (6) Chairman of the Committee in respect of its Compensation Committee function.
- (7) Mr. Miller's family are the beneficiaries of the Fern Trust which owns 33,602,022 Common Shares in the Company. Mr. Bousfield is the executive chairman of Fern Group Limited, a company associated with the Fern Trust. Neither Mr. Miller nor Mr. Bousfield is a trustee or a beneficiary of the Fern Trust.
- (8) Mr. Rydell does not own or exercise control or direction over any Common Shares. Mr. Rydell is a senior portfolio manager with Elliott Advisors (UK), part of the group consisting of Elliott International, L.P., Elliott Associates L.P., Manchester Securities Corp. and the Liverpool Limited Partnership, which collectively own or exercise beneficial control over 112,981,945 Common Shares.
- (9) Mr. Meade stepped down as Chief Executive Officer of the Company with effect as of September 30, 2008 and continued as an executive director of the Company and was appointed Director – Mining responsible inter-alia for mining in Mali. He was appointed Executive Director, Operations of the Corporation on January 1, 2011 and continues to be responsible for mining in Mali.

Each of the proposed nominees has held the principal occupation shown beside the nominee's name in the table above for the last five years except as follows:

Name	Current Office with Company	Principal Occupation for the Preceding Five Years
Howard B. Miller	Chief Executive Officer, Executive Director and Chairman of the Board of Directors	Mr. Miller became the Chief Executive Officer of the Company on September 30, 2008. Mr. Miller is also the Chairman of the Board of Directors. Mr. Miller has been a Director of Anglesey Mining plc (LSE) since 2001. He was also a Director of Avnel Gold, Limited, a subsidiary of the Company, from 2001 to 2008. Prior to that, from 1993 to 2001, Mr. Miller was a founding Director of Nelson Gold (later Nelson Resources Limited) (TSX). He also served as Chief Executive Officer of Tahera Corporation (TSX) from 1998 to 2001.
Roy Meade	Director and Executive Director, Operations	Mr. Meade is currently Executive Director, Operations of the Company. He is also Director General of Société d'Exploitation des Mines d'Or de Kalana, S.A ("SOMIKA"), a subsidiary which is 80% owned by the Company. He previously served as the Chief Executive Officer of the Company from February 2005 to September 2008. Prior to that, Mr. Meade served as Chief Executive Officer of Avnel Gold, Limited, a subsidiary of the Company, from September 2003 to February 2005.
Anthony M. Bousfield	Director	Prior to his retirement, Mr. Bousfield was the Chief Executive Officer of Merlin Group Securities Limited for over 10 years. Mr Bousfield retired from this position on December 31, 2008. Mr Bousfield is currently executive chairman of Fern Group Limited.
Ibrahim Kantao	Director	Mr. Kantao has held the position of Director General of AEL Mali SARL since August 2003, a company providing explosives and accessories with related services to the mining industry in Mali. Prior to that, he served as Director General of AEL Chemico SARL from 2000 to 2003 and as Director National of La Direction Nationale de la Geologie et des Mines, an organisation of the Government of Mali, from 1995 to 2000.
John Kearney	Director	Mr. Kearney has been Chairman and President of Canadian Zinc Corporation (TSX) since June 2003 and has held the positions of Chairman, Chief Executive Officer and director of Labrador Iron Mines Holding Limited (TSX) since May 2007. He has also served as Chairman and Director of Conquest Resources Limited (TSXV) since 2002; Anglesey Mining plc (LSE) since 1994; Scandinavian Minerals Limited (TSX) from 2003 to 2008; Sulliden Exploration Inc. (TSX) from 2005 to 2009; and as a Director of Minco plc (AIM) since 1997 and Chairman since 2008.
Derek Kyle	Director	Mr. Kyle is currently an independent mineral advisor to the mining industry. Between 1997 and July 2005, Mr. Kyle was the Founder, Chairman and Managing Director of the Mineral Corporation. Mr. Kyle also served as a director of AfriOre SA Limited until late 2006.
Jonas U. Rydell	Director	Mr. Rydell has been employed as a Securities Analyst and Senior Portfolio Manager with Elliott Advisors (UK) since April 2004. Prior to that, he was a Vice President of Credit Suisse First Boston in London, UK from 1998 to 2004. Mr. Rydell has also been a director of Public Service Properties Investments Limited (AIM) since 2007.



No director, and no company in respect of which any director is or was a director or senior executive, has been subject to bankruptcy or insolvency proceedings, a cease trade order or other penalties under securities legislation, in each case in the last 10 years.

### **3. Re-appointment of Independent Auditors**

Ernst & Young LLP are the current auditors of the Company. Ernst & Young LLP were first appointed as auditors of the Company on December 22, 2005. At the Meeting, the holders of Common Shares will be requested to re-appoint Ernst & Young LLP as auditors of the Company to hold office until the end of the next annual meeting of shareholders or until a successor is appointed, and to authorise the Board of Directors to fix the auditors' remuneration.

**In the absence of a contrary instruction, the person(s) designated by management of the Company in the enclosed form of proxy intend to vote FOR the re-appointment of Ernst & Young LLP as auditors of the Company to hold office until the next annual meeting of shareholders or until a successor is appointed and the authorisation of the Board of Directors to fix the remuneration of the auditors.**

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

#### *Composition of the Sole Board Committee*

During 2013, the sole committee of the Board of Directors (the "**Committee**"), which performs the functions of a Compensation Committee (as well as the functions of an Audit Committee, a Corporate Governance and Nominating Committee, and a Reserves, Resources and Environmental Committee), was composed of Messrs. John Kearney, Derek Kyle and Ibrahim Kantao, all of whom are unrelated, independent directors of the Company.

The Committee, in its different functions, meets regularly (quarterly) in the absence of the remaining members of the Board of Directors and calls upon executive directors from time to time to provide information, comments and recommendations as may be required by the Committee.

#### *Responsibility of the Compensation Committee*

The Committee, in its function as the Compensation Committee of the Board (the "**Compensation Committee**"), is responsible for overseeing and making recommendations to the Board with respect to compensation of the Company's senior executives. Specifically, the Compensation Committee assists the Board of Directors in fulfilling its oversight responsibilities by:

- (i) reviewing and approving and then recommending to the Board of Directors salary, bonus and other benefits, direct or indirect, and any change of control packages of the Chief Executive Officer and other members of the senior management team;
- (ii) recommending salary guidelines to the Board of Directors;
- (iii) administering the Company's compensation plans, including the Company's Long Term Incentive Plan, outside directors' compensation plans and other such compensation plans or structure as are adopted by the Company from time to time;
- (iv) researching and identifying trends in employment benefits; and

- (v) establishing and periodically reviewing the Company's policies in the area of management benefits and perquisites.

The Compensation Committee is chaired by Mr. Ibrahim Kantao. Each member has, to the satisfaction of the Board of Directors, sufficient relevant skills and experience to be of assistance in carrying out the mandate of the Compensation Committee. The Compensation Committee meets at least once annually or more frequently as circumstances require. No consultant has, at any time since the beginning of the Company's most recently completed financial year, been retained to assist the Board in determining compensation for any of the Company's directors or executive officers.

### ***Executive Compensation Philosophy***

The Company's executive compensation practices and philosophy are designed to provide both current and long-term rewards to the Named Executive Officers (as defined below) and other senior executives that are consistent with their individual performance and contribution to the Company's objectives. Compensation practices include base salaries, annual performance bonuses (when merited) and stock options. Levels of compensation are established and maintained with the intent of attracting and retaining superior quality employees. The Company does not maintain a pension plan for its employees and does not provide any other form of deferred compensation program; therefore, in certain cases, payments are made in lieu of pension contributions.

Salaries for the executives have been determined based on the individual's level of responsibility, the importance of the position to the Company and the individual's contribution to the Company's performance. The Long Term Incentive Plan is designed to provide executives with a long-term incentive to achieve the Company's objectives and contribute to shareholder value. Bonuses, if awarded, recognise extraordinary contributions to achieving the Company's objectives. It is the Compensation Committee's view that the Company's compensation practices are structured to properly align each executive's financial interests with the Company's overall objectives of maximising and sustaining shareholder value.

Because of the financial requirements for carrying out the Company's business activities, the Compensation Committee places substantial reliance on the use of non-cash compensation for certain of the executive officers. This has been achieved by use of the stock-based compensation plans. The Committee believes these plans have assisted and will continue to assist the Company in attracting, retaining and motivating the key officers and employees it will need.

The Compensation Committee continues to monitor its executive compensation program with a view to achieving superior executive management at a fair cost to the Company. As part of its review process, the Compensation Committee reviews peer group and other industry compensation data reported through surveys and other sources. In monitoring executive compensation, the Compensation Committee does not link the Company's share performance to compensation, except through the grant of stock options.

The Compensation Committee considers and reviews the risks associated with the Company's compensation policies and believes that the risks are kept minimal as the Company's share performance and the Company's profitability are not linked directly to compensation. Neither a Named Executive Officer (defined below) nor a director is permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchanged funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the named executive officer or director.

### ***Compensation Mix***

In keeping with Avnel’s philosophy to link senior executive compensation to corporate performance and to motivate senior executives to achieve exceptional levels of performance, the Company has adopted a model that includes base salary, annual performance bonuses (when merited) and participation in the Long Term Incentive Plan (stock options), as described below. The table below sets forth the appropriate target mix for the Chief Executive Officer and the other Named Executive Officers and reflects an average for all such Named Executive Officers.

Position	Base Salary	At-Risk Compensation	
		Short Term Incentives	Long Term Incentives
Chief Executive Officer	90%	Nil	10%
Named Executive Officers (excluding the Chief Executive Officer)	90%	5%	5%

### ***Base Salary***

Base salary levels reflect the fixed component of pay that compensates executives for fulfilling their roles and responsibilities and assists in the attraction and retention of highly qualified executives. Base salaries are reviewed annually to ensure they reflect each respective executive’s performance and experience in fulfilling his or her role and to ensure executive retention.

### ***Annual Performance Bonus***

The annual performance bonus is a short-term variable element of compensation and payments are linked to the performance of the Company and each executive’s extraordinary contribution in achieving the Company’s objectives.

### ***Long Term Incentive Plan (Stock Options)***

Long term incentives are annual performance-based grants of stock options. The awards are intended to align executive interests with those of shareholders by tying a portion of the executives’ compensation to share performance and to assist in retention through vesting provisions.

The Company’s Long Term Incentive Plan is administered by the Compensation Committee, which has full and final authority with respect to the granting of options and performance units there under. Options may be granted under the Long Term Incentive Plan to such directors, officers or employees of the Company and its subsidiaries as the Compensation Committee may from time to time designate. The term of any options granted under the Long Term Incentive Plan shall be determined by the Compensation Committee at the time of grant. Previous grants are taken into account when considering new grants. For additional details, see “Description of Long Term Incentive Plan” below.

### ***Chief Executive Officer Compensation***

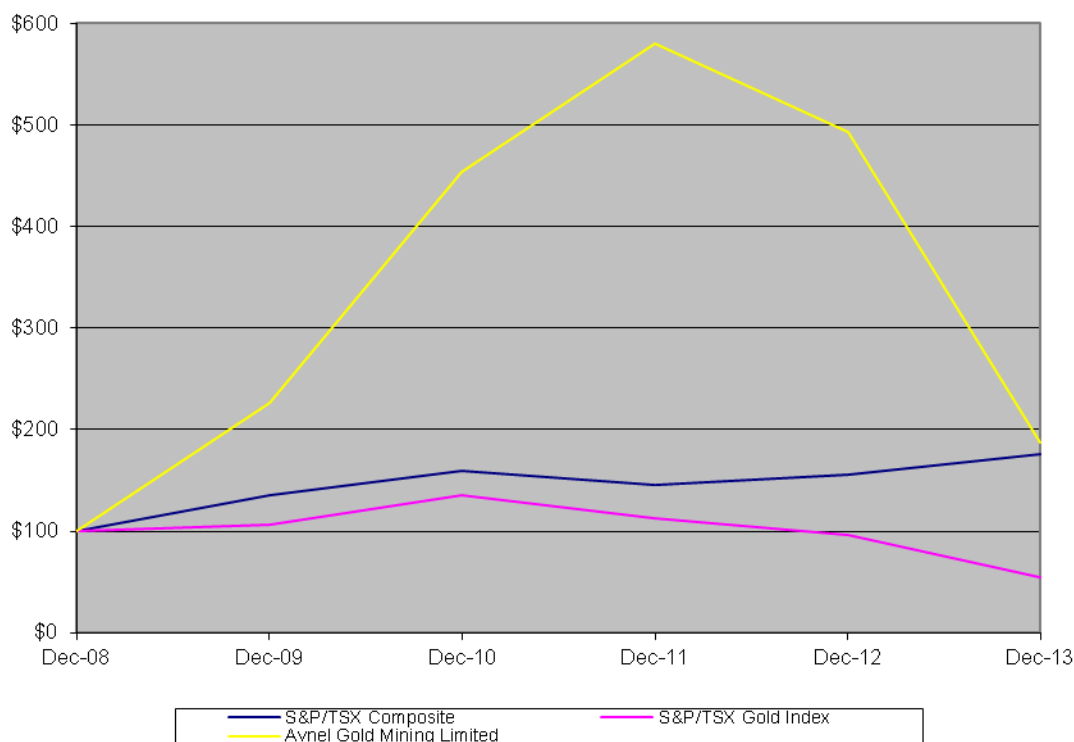
The components of the Chief Executive Officer’s compensation are similar to those which apply to the other senior executive officers of the Company, namely base salary, performance bonus (which is subject to targets being achieved) and long-term equity incentives. The Compensation Committee presents its recommendations to the Board of Directors with respect to the Chief Executive Officer’s compensation. In setting the recommended salary of the Chief Executive

Officer, the Compensation Committee takes into consideration industry comparison. In setting the salary, performance bonus and long-term incentives for the Chief Executive Officer, the Compensation Committee evaluates the performance of the Chief Executive Officer in light of his impact on the achievement of the Company's goals and objectives.

### Performance Graph

The following graph compares the percentage change in the Company's cumulative total shareholder return on its Common Shares with the cumulative total return of the S&P/TSX Gold Index and the S&P/TSX Composite Index for the period from December 31, 2008 to December 31, 2013. The graph illustrates the cumulative return on a C\$100 investment in Common Shares made on December 31, 2008 as compared with the cumulative returns on C\$100 investments in each of the S&P/TSX Gold Index and S&P/TSX Composite Index made on December 31, 2008. Dividends declared on Common Shares are assumed to be reinvested. The Common Share performance as set out in the graph does not necessarily indicate future price performance. In monitoring executive compensation, the Compensation Committee does not link the Company's share performance to compensation, except through the grant of stock options.

**Cumulative Total Shareholder Return  
December 31, 2008 to December 31, 2013**



(in Canadian dollars)	December 31, 2008	December 31, 2009	December 31, 2010	December 30, 2011	December 31, 2012	December 31, 2013
<b>Avnel Gold Mining Limited</b>	100.00	226.67	453.33	580.00	493.33	186.67
<b>S&amp;P/TSX Gold Index</b>	100.00	106.33	134.95	112.47	96.87	54.27
<b>S&amp;P/TSX Composite Index</b>	100.00	135.05	158.83	145.00	155.42	175.61

## Summary Compensation Table

The following table sets out information concerning the compensation earned from the Company and any of the Company's subsidiaries during the financial years ended December 31, 2011, 2012 and 2013 by the Company's Chief Executive Officer and Chairman, the Executive Director, Operations, the Chief Financial Officer and, since his hiring in May 2013, the Vice President, Geology (collectively, the "Named Executive Officers").

Name and principal position	Year	Salary (US\$)	Share-based awards (US\$)	Option-based awards (US\$)	Non-equity incentive plan compensation (US\$)		All other compensation (US\$) <sup>(4)</sup>	Total Compensation (US\$)
					Annual incentive plans	Long-term incentive plans		
Howard B. Miller <sup>(1)</sup> Chief Executive Officer, Director and Chairman	2013	338,498	Nil	Nil	Nil	Nil	17,467	355,965
	2012	343,373	Nil	Nil	Nil	Nil	15,961	359,334
	2011	347,900	Nil	Nil	Nil	Nil	11,947	359,437
Roy Meade <sup>(2)</sup> Executive Director, Operations	2013	400,000	Nil	Nil	50,000	Nil	5,000	455,000
	2012	400,000	Nil	Nil	50,000	Nil	5,000	455,000
	2011	400,000	Nil	105,727	50,000	Nil	5,000	560,727
Alan McFarlane <sup>(1)(3)</sup> Chief Financial Officer and Company Secretary	2013	211,561	Nil	7,853	Nil	Nil	8,617	228,031
	2012	193,148	Nil	Nil	Nil	Nil	9,983	203,130
	2011	173,745	Nil	Nil	Nil	Nil	8,398	182,143
Olivier Femenias <sup>(1)</sup> Vice President Geology	2013	107,539	Nil	Nil	Nil	Nil	Nil	107,539
	2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A

### Notes:

- (1) Salary and other compensation were paid to Messrs. Miller, McFarlane and Femenias in pounds sterling. In 2013 Mr. Miller received £217,000, Mr. McFarlane received £135,000 and Dr. Femenias, who joined the Company in May 2013 and was appointed Vice President, Geology in November 2013, received £69,000, and such compensation disclosed in the Summary Compensation Table has been converted using the average USD/GBP exchange rate for the year of 1 pound sterling = US\$1.5623 In 2012, Mr. Miller received £217,000 and Mr. McFarlane received £122,000 and such compensation disclosed in the Summary Compensation Table has been converted using the average USD/GBP exchange rate for the year of 1 pound sterling = US\$1.5848. In 2011, Mr. Miller received £217,000 and Mr. McFarlane received £108,000 and such compensation disclosed in the Summary Compensation Table has been converted using the average USD/GBP exchange rate for the year of 1 pound sterling = US\$1.6038 Mr. Meade's option award value in 2011 is based on the fair value on the date of the award using a Black Scholes model and the following assumptions: volatility 77%, interest rate 3.5%. Mr Meade's non-equity incentive plan compensation are cash bonuses paid after the year end under his employment agreement.
- (2) Mr. McFarlane was appointed Chief Financial Officer with effect as of July 1, 2012. Mr. McFarlane's option award value in 2013 is based on the fair value on the date of the award using a Black Scholes model and the following assumptions: volatility 57%, interest rate 1.25%.
- (3) "All other compensation" values relate to medical expenses benefits.

## Incentive Plan Awards

### *Outstanding Option-Based and Share-Based Awards*

The following table sets out, for each Named Executive Officer, information concerning all option-based and share-based awards outstanding as of December 31, 2013. (This includes awards granted before the most recently completed financial year.)

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options	Option exercise price (US\$) <sup>(6)</sup>	Option expiration date	Value of unexercised in-the-money options (US\$) <sup>(6)</sup>	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (US\$)	Market or payout value of vested share-based awards not paid out or distributed (US\$)
Howard B. Miller	500,000	0.71 <sup>(1)</sup>	August 2015	Nil	Nil	Nil	Nil
Chief Executive Officer, Director and Chairman	500,000	0.42 <sup>(2)</sup>	August 2018	Nil	Nil	Nil	Nil
Roy Meade	2,500,000 <sup>(5)</sup>	0.275	February 2023	Nil	Nil	Nil	Nil
Executive Director, Operations	500,000	0.33 <sup>(3)</sup>	December 2016	Nil	Nil	Nil	Nil
Alan McFarlane	125,000	0.26 <sup>(4)</sup>	November 2015	Nil	Nil	Nil	Nil
Chief Financial Officer and Company Secretary	50,000	0.33 <sup>(5)</sup>	March 2023	Nil	Nil	Nil	Nil
Olivier Femenias	Nil	N/A	N/A	Nil	Nil	Nil	Nil
Vice President, Geology							

**Note:** The above options are priced in Canadian dollars:

(1) C\$0.76

(2) C\$0.45

(3) C\$0.35

(4) C\$0.28

(5) C\$0.35

(6) The Company's share price at December 31, 2013 was C\$0.135 per share and the US\$/C\$ exchange rate was 1.0694.

### *Value Vested or Earned During the Year*

The following table sets out, for each Named Executive Officer, information concerning the value of incentive plan awards — option-based and share-based awards as well as non-equity incentive plan compensation — vested or earned during the financial year ended December 31, 2013.

<b>Name</b>	<b>Option-based awards – Value vested during the year (US\$)</b>	<b>Share-based awards – Value vested during the year (US\$)</b>	<b>Non-equity incentive plan compensation – Value earned during the year (US\$)</b>
Howard B. Miller Chief Executive Officer, Director and Chairman	Nil	Nil	Nil
Roy Meade Executive Director, Operations	Nil	Nil	50,000
Alan McFarlane Chief Financial Officer and Company Secretary	Nil	Nil	Nil
Olivier Femenias Vice President, Geology	Nil	Nil	Nil

### **Equity Compensation Plan Information**

The following table sets out information concerning the number and price of securities to be issued under equity compensation plans to employees and others as at December 31, 2013.

<b>Plan Category</b>	<b>Number of Securities to be Issued upon Exercise of Options, Warrants and Rights</b>	<b>Weighted – Average Exercise Price of Outstanding Options, Warrants and Rights (US\$)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in (a))</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
<b>Equity Compensation Plans Approved by Security holders<sup>(1)</sup></b>	7,519,000	0.42	4,568,186
<b>Equity Compensation Plans Not Approved by Security holders</b>	Nil	Nil	-Nil
<b>Total</b>	7,519,000 (3.9% of capital)	0.42	4,568,186 (2.4% of capital)

**Note:**

- (1) Includes the Company's Long Term Incentive Plan and the Compensation Option issued to Mr. Roy Meade. See "Description of the Long Term Incentive Plan – Common Shares Subject to the Plan", below, for a description of the formula for determining the maximum number of securities issuable under the Long Term Incentive Plan. A maximum of 2,500,000 Common Shares are issuable under the Compensation Option.

## **Description of Long Term Incentive Plan**

The Long Term Incentive Plan is designed to provide the officers, directors, employees and consultants of the Company and its subsidiaries with a long-term incentive to achieve the Company's objectives and to contribute to shareholder value. The Long Term Incentive Plan is administered by the Compensation Committee, which has full and final authority with respect to the granting of options and performance units thereunder.

Pursuant to the rules of the TSX (the "**TSX Rules**"), unallocated options, rights or other entitlements under a TSX-listed issuer's security based compensation arrangement that does not have a fixed maximum number of securities issuable (which includes the Company's Long Term Incentive Plan), must be approved by a majority of the issuer's directors and by the issuer's securityholders every three years. Because the Long Term Incentive Plan does not have a fixed number of Common Shares issuable thereunder, but permits the issuance of up to an aggregate of 10% of the outstanding Common Shares from time to time (as described below), the Company is required to obtain shareholder approval every three years for the continuation of the Long Term Incentive Plan.

The shareholders of the Company approved the adoption of the Long Term Incentive Plan on February 23, 2005 and re-approved the Long Term Incentive Plan, with certain amendments thereto, on May 29, 2008 and May 24, 2012.

### ***Common Shares Subject to the Plan***

The Long Term Incentive Plan provides that the maximum number of Common Shares issuable upon the exercise of options and performance units plus the number of Common Shares issued during the preceding five years pursuant to the Long Term Incentive Plan and any other employee share scheme of the Company shall not exceed such number which represents 10% of the aggregate of the issued and outstanding Common Shares of the Company from time to time. As a result, should the Company issue additional Common Shares in the future, the number of Common Shares issuable under the Long Term Incentive Plan will increase accordingly. The Long Term Incentive Plan of the Company is considered an "evergreen" plan, since the Common Shares covered by options and performance units which have been exercised shall, after five years, be available for subsequent grants under the Long Term Incentive Plan and the number of options and performance units available to grant increases as the number of issued and outstanding Common Shares of the Company increases.

The number of Common Shares reserved for issuance under the Long Term Incentive Plan as at March 31, 2014 is 9,587,186, representing 5.0% of the total number of outstanding Common Shares of the Company. As at March 31, 2014, the total number of options granted under the Long Term Incentive Plan was 5,019,000 representing, in the aggregate, 2.6% of the total number of outstanding Common Shares of the Company. No performance units have been granted under the Long Term Incentive Plan.

From its inception to March 31, 2014, 1,000 options have been exercised under the Long Term Incentive Plan and 1,000 Common Shares have been issued in connection therewith.

The Long Term Incentive Plan provides that:

- (a) at the time of any grant of options or performance units, the maximum number of Common Shares which may be issuable under such options or performance units, when aggregated with (i) the number of Common Shares issuable under all outstanding options and performance units granted under the Long Term Incentive Plan, and (ii) the number of Common Shares issued during the five years preceding the grant pursuant to the Long Term Incentive Plan or any other



employee share scheme operated by the Company, must not exceed 10% of the total number of Common Shares outstanding at the time of such grant;

- (b) the total number of Common Shares issuable at any time pursuant to options and performance units granted to insiders under the Long Term Incentive Plan or pursuant to any other security based compensation arrangement of the Company must not exceed 10% of the outstanding issue of such Common Shares;
- (c) the number of Common Shares which may be issued to insiders pursuant to a grant of options and performance units (being the aggregate of options and performance units issued under the Long Term Incentive Plan and under any other security based compensation arrangement of the Company) within a one year period must not exceed 10% of the outstanding issue of such Common Shares;
- (d) the maximum number of options and performance units granted to any one insider and such insider's associates within a one year period shall not exceed 5% of the outstanding issue of such Common Shares; and
- (e) the maximum number of Common Shares which may be issued from treasury pursuant to performance units granted under the Long Term Incentive Plan must not exceed 5% of the outstanding issue of such Common Shares, and the number of Common Shares which may be issued pursuant to performance units granted under the Long Term Incentive Plan to any one person must not exceed 5% of the issued and outstanding voting securities of the Company. In each case, the Company may, from time to time, designate such other maximum number which will not in any event exceed the maximum number permitted from time to time under the TSX Rules.

Subject to paragraph (e) above and compliance with applicable regulatory requirements, the Company may satisfy its obligations to provide Common Shares to participants by issuing Common Shares from treasury or acquiring Common Shares in the market through the services of an independent broker.

### ***Option Terms***

Options may be granted under the Long Term Incentive Plan to such directors, officers or employees of the Company and its subsidiaries as the Compensation Committee may from time to time designate. The exercise price of any options granted under the Long Term Incentive Plan shall be not less than the weighted average market price per Common Share on the TSX during the five trading days immediately preceding the date of grant. Under the Long Term Incentive Plan, the Company may provide financial assistance to eligible persons to purchase Common Shares upon the exercise of the options or pay income tax eligible upon exercise of the options, subject to applicable law and the rules and policies of any securities regulatory authority or stock exchange with jurisdiction over the Company or a trade in its securities. Any financial assistance so provided will be repayable with full recourse and the term of any such financing shall not exceed the term of the options to which the financial assistance applies.

The term of any options granted under the Long Term Incentive Plan shall be determined by the Compensation Committee at the time of grant but, subject to earlier termination in the event of termination of employment or in the event of death or disability, the term of any options granted shall not exceed 10 years. If desired by the Compensation Committee, options granted under the Long Term Incentive Plan may be subject to vesting provisions. The exercise date shall be set by

the Compensation Committee upon the date of grant and will be subject to the acceleration of the vesting of options upon termination of employment other than for cause.

Subject to certain exceptions, in the event that an option holder ceases to provide services to Avnel (including on the death or disability of the option holder), options granted to such option holder under the Long Term Incentive Plan will expire on the earlier of 90 days from the date of termination and the expiration date set by the Compensation Committee in the option grant. Upon the retirement of the option holder, the options granted under the Long Term Incentive Plan will expire on the earlier of three years after the date of retirement (unless the option holder dies prior to expiry of the first two year of such three year period, in which case the options will expire one year after the option holder's death) and the expiration date set by the Compensation Committee in the option grant. If an option holder is terminated for cause, the options terminate immediately. In the event of a reorganization of Avnel (including an offer to acquire all of the outstanding Common Shares or a sale of a material portion of its assets), the Company may commute the term of the options on at least 30 days' written notice, so that such options are exercisable at any time during the notice period (regardless of whether they have otherwise vested) and are cancelled at the expiry of the notice period.

If the termination date of an option (including a termination date that has been accelerated in accordance with the preceding paragraph as a result of the termination of employment, retirement, death or disability of the option holder) falls within a black-out period designated by the Company during which the option holder is prohibited from exercising an option, or within ten business days after the expiry of the black-out period, then the termination date for that option shall be the date that is the tenth business day after the expiry of the black-out period.

Options granted under the Long Term Incentive Plan are not transferable or assignable other than by the prior written consent of the Compensation Committee and subject to applicable securities regulatory rules.

### ***Performance Unit Terms***

Performance units may be granted under the Long Term Incentive Plan subsequent to each fiscal year to such directors, officers, employees or consultants of the Company and its subsidiaries as the Compensation Committee may from time to time designate. The Compensation Committee is required to set the total dollar amount of the grant and the release dates for the Common Shares underlying the performance units. The number of performance units granted is determined by dividing the total dollar amount of the grant by the weighted average market price per Common Share during the five trading days immediately preceding the date of grant. Each performance unit entitles the holder to receive one Common Share on the applicable release date or, at the option of the Company, an amount of cash equal to the weighted average market price per Common Share on the TSX during the five trading days immediately preceding the release date. The release date must be at least three months following the grant date. The Compensation Committee may also set any additional terms and conditions of the grant as it sees fit, including performance criteria and restrictions on the resale of Common Shares acquired on the release of performance units.

Subject to certain exceptions, in the event that a participant ceases to provide services to Avnel (including on the death or disability of the option holder), all performance units granted to a participant under the Long Term Incentive Plan shall be paid out in Common Shares within 90 days from the date of termination. Upon the retirement of the participant, all performance units granted to a participant under the Long Term Incentive Plan shall be paid out in Common Shares within three years from the date of retirement. If a participant is terminated for cause, all performance units that have not been paid out in Common Shares as of the date of termination shall be forfeited. If there is a change of control of Avnel, all performance units shall be paid out in Common Shares; provided that, in the event of a reorganization of Avnel (including an offer to

acquire all of the outstanding Common Shares or a sale of a material portion of its assets), the Company may commute the performance units into any other property or cash on at least 30 days' written notice. If such notice is given, a participant may elect to require the Company to pay out his or her performance units in Common Shares during the notice period.

Performance units granted under the Long Term Incentive Plan are not transferable or assignable other than by the prior written consent of the Compensation Committee and subject to applicable securities regulatory rules.

### ***Amendments***

Any amendments to the Long Term Incentive Plan or options granted thereunder must be recommended by the Compensation Committee and approved by the Board of Directors. In addition, shareholder approval is required for the following changes to the Long Term Incentive Plan or options granted under it: (a) increasing the number of Common Shares issuable pursuant to the Long Term Incentive Plan; (b) making any amendment that would reduce the exercise price of an outstanding option (including the cancellation and reissuance of an option constituting a reduction of the exercise price); (c) amending or deleting Article 7 of the Long Term Incentive Plan to (i) extend the term of any option granted under the Long Term Incentive Plan beyond the latest exercise date, (ii) allow for the latest exercise date to extend beyond ten years from the date of grant, or (iii) change the mechanism for extending the termination date of options expiring during, or within ten business days after, a black-out period; (d) expanding the definition of "Employee" or "Eligible Person" in the Long Term Incentive Plan; (e) amending the Long Term Incentive Plan to provide for other types of compensation through equity issuances; (f) amending provisions granting additional powers to the Board to amend the Long Term Incentive Plan or entitlements without security holder approval; or (g) changing the insider participation limits which result in the security holder approval to be required on a disinterested basis.

Amendments which could be made without shareholder approval would include, for example, amendments related to: (a) housekeeping changes (such as a change to correct an immaterial inconsistency or clerical omission or a change to update a routine administrative provision such as contract information); (b) a change in the termination provisions for the Long Term Incentive Plan or for an option as long as the change does not permit the Company to grant an option with an expiry date of more than ten years or extend an expiry date of an outstanding option; (c) certain changes to provisions on the transferability of options (namely a family member, a charity or for real estate planning or estate settlement purposes); and (d) a change deemed necessary or desirable to comply with applicable law and regulatory requirements.

The Long Term Incentive Plan was amended effective April 18, 2012 to increase the maximum number of Common Shares (i) issuable at any time pursuant to options and performance units granted to insiders under the Long Term Incentive Plan or pursuant to any other security based compensation arrangement of the Company, and (ii) which may be issued to insiders pursuant to a grant of options and performance units under the Long Term Incentive Plan and under any other security based compensation arrangement of the Company) within a one year period, in each case from 5% to 10% (the "**Insider Participation Amendments**"), and to deal with certain housekeeping matters. The Insider Participation Amendments were approved by the shareholders of the Company on May 24, 2012. In accordance with the terms of the Long Term Incentive Plan, the housekeeping amendments did not require shareholder approval.

### **Description of Compensation Option Issued to Mr. Roy Meade**

On February 23, 2005, outside of the Long Term Incentive Plan, the Company granted to Mr. Roy Meade, who at that time was the Chief Executive Officer of Avnel, an option (the "**Compensation Option**") to acquire up to 2.5 million Common Shares at an exercise price per share of the Canadian dollar equivalent of US\$0.275. The exercise price was determined by

dividing the aggregate investment of the Elliott Group and the Fern Trust in the Company on the closing date of the Company's initial public offering (the "**IPO**") by the number of Common Shares held by Elliott Group and the Fern Trust on the closing date of the IPO (excluding any shares purchased by them in connection with the IPO). One-third of the Compensation Option was exercisable on June 30, 2005, one-third became exercisable on February 23, 2006, and the remaining one-third became exercisable on February 23, 2007. Mr. Meade has not exercised any of his vested options under the Compensation Option. The Common Shares issuable under the Compensation Option represent 1.3% of the outstanding Common Shares.

The grant of the Compensation Option was made in satisfaction of an outstanding obligation on the part of Avnel Gold, Limited ("**Avnel Cayman**"), now a subsidiary of the Company since February 2005, to grant free of charge an amount of deferred shares representing 5% of the issued and outstanding shares of Avnel Cayman made in consideration of Mr. Meade's agreement to accept employment with Avnel Cayman in September 2003.

The Compensation Option was initially set to expire on the earlier to occur of (a) Mr. Meade terminating his employment with the Company of his own volition, and (b) February 23, 2010. On September 29, 2008, the Compensation Option was amended and restated to (x) extend the latest exercise date to February 23, 2013, and (y) provide that the Compensation Option will not terminate if Mr. Meade ceases to be employed by the Company. The 2008 amendment and restatement of the Compensation Option was approved by the shareholders of the Company on May 27, 2009. In December 2012, the Compensation Committee, under the authority granted to it by the Board of Directors, resolved to amend the Compensation Option to extend the latest exercise date until the earliest to occur of (a) February 23, 2023, (b) the second anniversary of the termination of Mr. Meade's employment by the Company without cause, (c) the first anniversary of Mr. Meade's resignation or voluntary retirement from the Company, and (d) the day immediately prior to the termination of Mr. Meade's employment by the Company for cause. The amendment was made effective as of February 23, 2013 and was approved by the shareholders of the Company on May 23, 2013.

In the event of a reorganization of Avnel (including an offer to acquire all of the outstanding Common Shares or a sale of a material portion of its assets), the Company may commute the term of the Compensation Option on at least 30 days' written notice, so that the option is exercisable at any time during the notice period and is cancelled at the expiry of the notice period.

The Compensation Option is not transferable or assignable by Mr. Meade other than by the prior written consent of the Board and subject to applicable securities regulatory rules.

The Compensation Option does not contain any specific amendment procedures. Accordingly, in accordance with the TSX Rules, the Compensation Option cannot be amended without shareholder approval.

## Employment Contracts

The following table sets out the annual remuneration, termination notice period and associated compensations for each Named Executive Officer as of the date hereof.

NEO	Annual Remuneration (US\$)	Termination Notice Period (without cause)	Additional Termination Compensation (US\$)	Termination Compensation for Change of Control
Howard B. Miller <sup>(1)</sup> Chief Executive Officer, Director and Chairman	338,498	3 months for the employee, and 12 months for the employer during period of contract	Nil	12 months' remuneration, plus £50,000
Roy Meade Executive Director, Operations	400,000	3 months for the employee, and 3 months for the employer during period of contract	600,000	US\$600,000
Alan McFarlane <sup>(1)</sup> Chief Financial Officer and Company Secretary	211,561	3 months for the employee, and 12 months for the employer during period of contract	Nil	12 months' remuneration
Olivier Femenias Vice President Geology	107,539	None	Nil	Nil

**Note:**

- (1) Salary and other compensation is paid to Mr. Miller, Mr. McFarlane and Dr. Femenias in pounds sterling (in the case of Mr. Miller £217,000, Mr. McFarlane £135,000 and Dr. Femenias £69,000) and such compensation disclosed in the Termination and Change of Control Table has been converted using the average USD/GBP exchange rate for 2013 of 1 pound sterling = US\$1.5623.

### *Material Employment Terms*

Both Mr. Miller and Mr. McFarlane's employment contracts provide for an indefinite term of employment, subject to dismissal for cause or in accordance with the notice requirements specified in the table above. Dr. Femenias has a rolling 12 month contract. The term of Mr. Meade's employment is for an initial two years with subsequent terms of 18 months. Mr. Meade's subsequent terms are automatically renewed unless notice is provided by either party on 90 days prior notice. In addition to Mr. Meade's base salary of US\$400,000, a bonus payment not exceeding US\$50,000 can be awarded on an annual basis at the discretion of the Board of Directors. Mr. Meade is also governed by a non-solicitation clause which restricts the solicitation of any individual or business entity who is providing services to the Company and any clients or suppliers of the Company. Additionally, this clause restricts any action which would impair any relationships the Company has formed. This non-solicitation clause remains effective during the course of Mr. Meade's employment and for a period of two years after termination.

Provided that the Named Executive Officer was not terminated for cause, the Company will pay the termination benefits outlined in the table above. With respect to Mr. Meade, cause is defined as the occurrence of any of the following: (i) Mr. Meade engaging in any act of dishonesty relating to Mr. Meade's employment that results in material injury to the Company or its affiliates; (ii) Mr. Meade's wilful or negligent failure to perform or reckless disregard or negligence in the manner of performance of, Mr. Meade's duties or responsibilities; (iii) Mr. Meade intentionally making a false statement of fact regarding the Company or its affiliates in a

manner that results in material injury to the name, reputation or business interests of the Company or its affiliates; (iv) a material breach by Mr. Meade of any of his obligations under his employment agreement or otherwise as an employee of the Company, which breach is not cured within 30 days following Mr. Meade receiving written notice from the Company setting forth in reasonable detail the specific obligations(s) breached; or (v) Mr. Meade's conviction in a court of law, entering a plea of guilty or no contest to any crime or a rendering by a court of any civil judgement against Mr. Meade involving dishonesty, breach of trust or fiduciary duty, theft or breach of any applicable securities laws.

With respect to Mr. Miller, Mr. McFarlane, and Dr. Femenias, cause is defined as any occurrence where Mr. Miller, Mr. McFarlane or Dr. Femenias: (i) commits any serious breach or continues (after written warning) of any other breach of his employment agreement; (ii) neglects, fails or refuses to carry out any lawful instructions related to his material duties; (iii) is convicted of any material offence or is guilty of conduct tending to bring himself or the Company into disrepute; or (iv) is guilty of excessive use of alcohol and drugs or involved in assaults.

The following table sets out the compensation entitlements that would be payable to each Named Executive Officer if such executives were terminated on December 31, 2013 in connection with a change of control. "Change of control" is defined in the employment agreements of the Named Executive Officers as the acquisition by any Person (other than, collectively or individually, Elliott Associates L.P., Elliott International L.P., Manchester Securities Corp., The Liverpool Partnership and/or the Fern Trust, of the right to cast more than 50% of the votes attaching to all securities of the Company.

	<b>Lump Sum Payment (US\$)</b>	<b>Equity Compensation Awards Accelerated and Immediately Vested (US\$)</b>	<b>Equity Compensation Awards (US\$)</b>
Howard B. Miller Chief Executive Officer, Director and Chairman	338,498	Nil	Nil
Roy Meade Executive Director, Operations	600,000	Nil	Nil
Alan McFarlane Chief Financial Officer	211,561	Nil	Nil
Olivier Femenias Vice President, Geology	Nil	Nil	Nil

### **Director Compensation**

During the financial year ended December 31, 2013, the lead director was entitled to be paid \$20,000, directors of the Company who were not officers or employees of the Company and were members of the Committee were entitled to be paid an annual fee of \$18,000 and those directors who were not members of the Committee were entitled to be paid an annual fee of \$15,000. Directors are also eligible to participate in the Long Term Incentive Plan. Directors are reimbursed for out-of-pocket expenses incurred in attending meetings of the Board of Directors and the Committee. Directors who are also officers or employees of the Company were not paid any amount as a result of their serving as directors of the Company. In addition, Jonas Rydell did not receive any director fee in 2013.

Mr. Kantao receives \$36,000 as a director of the Company and a director of SOMIKA. Mr. Kantao represents the Company as an independent director on the SOMIKA board of directors. The Company is also represented by management on the SOMIKA board of directors.

***Director Compensation Table***

The following table sets out information concerning the compensation earned from the Company by the Company’s directors, other than directors who are Named Executive Officers of the Company, relating to the financial year ended December 31, 2013.

Name	Fees earned (US\$)	Share-based awards (US\$)	Option-based awards (US\$)	Non-equity incentive plan compensation (US\$)	All other compensation (US\$)	Total (US\$)
Anthony M. Bousfield	15,000	Nil	Nil	Nil	Nil	15,000
Ibrahim Kantao	36,000	Nil	Nil	Nil	Nil	36,000
John Kearney	20,000	Nil	Nil	Nil	Nil	20,000
Derek Kyle	18,000	Nil	Nil	Nil	Nil	18,000
Jonas U. Rydell	Nil	Nil	Nil	Nil	Nil	Nil

Compensation information for Messrs. Miller and Meade, both of whom are directors and Named Executive Officers of the Company, can be found above under “Summary Compensation Table”.

***Outstanding Option-Based and Share-Based Awards for Directors***

The following table sets out, for each director, other than directors who are Named Executive Officers of the Company, information concerning all option-based and share-based awards outstanding as of December 31, 2013. (This includes awards granted before the most recently completed financial year.)

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (US\$)	Option expiration date	Value of unexercised in-the-money options (US\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (US\$)	Market or payout value of vested share-based awards not paid out or distributed (US\$)
Anthony M. Bousfield	50,000	0.71 <sup>(1)</sup>	August 31, 2015	Nil	Nil	Nil	Nil
	200,000	0.42 <sup>(2)</sup>	August 13, 2018	Nil	Nil	Nil	Nil
	250,000	0.56 <sup>(3)</sup>	November 15, 2021	Nil	Nil	Nil	Nil
Ibrahim Kantao	100,000	0.71 <sup>(1)</sup>	August 31, 2015	Nil	Nil	Nil	Nil
	200,000	0.42 <sup>(2)</sup>	August 13, 2018	Nil	Nil	Nil	Nil
	250,000	0.56 <sup>(3)</sup>	November 15, 2021	Nil	Nil	Nil	Nil
John Kearney	99,000	0.71 <sup>(1)</sup>	August 31, 2015	Nil	Nil	Nil	Nil
	200,000	0.42 <sup>(2)</sup>	August 13, 2018	Nil	Nil	Nil	Nil
	500,000	0.56 <sup>(3)</sup>	November 15, 2021	Nil	Nil	Nil	Nil
Derek Kyle	100,000	0.71 <sup>(1)</sup>	August 31, 2015	Nil	Nil	Nil	Nil
	200,000	0.42 <sup>(2)</sup>	August 13, 2018	Nil	Nil	Nil	Nil
	250,000	0.56 <sup>(3)</sup>	November 15, 2021	Nil	Nil	Nil	Nil
Jonas U. Rydell	50,000	0.71 <sup>(1)</sup>	August 31, 2015	Nil	Nil	Nil	Nil
	200,000	0.42 <sup>(2)</sup>	August 13, 2018	Nil	Nil	Nil	Nil
	250,000	0.56 <sup>(3)</sup>	November 15, 2021	Nil	Nil	Nil	Nil

**Note:** The above options are priced in Canadian dollars and the US\$/C\$ exchange rate at December 31, 2013 was 1.0674:

- (1) C\$0.76
- (2) C\$0.45
- (3) C\$0.60

Compensation information for Messrs. Miller and Meade, both of whom are directors and Named Executive Officers of the Company, can be found above under “Incentive Plan Awards”.

### ***Value Vested or Earned During the Year for Directors***

The following table sets out, for each director, other than directors who are Named Executive Officers of the Company, information concerning the value of incentive plan awards — option-based and share-based awards as well as non-equity incentive plan compensation — vested or earned during the financial year ended December 31, 2013.

<b>Name</b>	<b>Option-based awards – Value vested/earned during the year (US\$)</b>	<b>Share-based awards – Value vested during the year (US\$)</b>	<b>Non-equity incentive plan compensation – Value earned during the year (US\$)</b>
Anthony M. Bousfield	Nil	Nil	Nil
Ibrahim Kantao	Nil	Nil	Nil
John Kearney	Nil	Nil	Nil
Derek Kyle	Nil	Nil	Nil
Jonas U. Rydell	Nil	Nil	Nil

Compensation information for Messrs. Miller and Meade, both of whom are directors and Named Executive Officers of the Company, can be found above under “Incentive Plan Awards”.

### **Indebtedness of Directors and Executive Officers**

There was no indebtedness of any director or executive officer of the Company or of any proposed nominee for election as a director of the Company and each associate of any such director, executive officer or proposed nominee to, or guaranteed or supported by, the Company or any subsidiary thereof either pursuant to an employee stock purchase program of the Company or otherwise at any time since the commencement of the financial year of the Company ended December 31, 2013.

### **Directors and Officers Liability Insurance and Indemnification**

To the extent permitted by law, the Company has entered into an indemnification agreement with each of its directors. The Company maintains directors’ and officers’ liability insurance for the officers and directors of the Company, which provides coverage in the amount of \$5.0 million in each policy year. The deductible amount on the policy ranges from \$150,000 to \$250,000, depending on the nature of the claim. The total annual premium for the most recent policy year was \$51,300.

### **Interests of Certain Persons and Companies in Matters to be Acted Upon**

Except as otherwise disclosed in this Circular, no person or company that has been a director, proposed director or executive officer of the Company at any time since the commencement of the most recently completed financial year of the Company, nor any associate or affiliate of any such director, proposed director or executive officer, has had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors or the appointment of the auditors.



## **Interests of Informed Persons in Material Transactions**

Management of the Company is not aware of any material interest, direct or indirect, of any director, proposed director or executive officer of the Company, any person who, to the knowledge of Management of the Company, beneficially owns or exercises control or direction over securities carrying more than 10% the voting rights attached to any class of outstanding voting securities of the Company, any other “informed person” (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*), or any associate or affiliate of any of the foregoing, in any transaction since the commencement of the Company’s most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

## **CORPORATE GOVERNANCE DISCLOSURE**

### **Introduction**

The Company and the Board of Directors recognise the importance of corporate governance to the effective management of the Company and to the protection of its employees and shareholders. The Company’s approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the Company are effectively managed so as to enhance shareholder value.

### **Composition of the Board of Directors**

The Board of Directors has concluded that if the proposed seven nominees to the Board of Directors are elected at the Meeting, three of the seven directors will be independent. The independent directors are Messrs. Kearney, Kantao and Kyle.

Mr. Miller, the Chairman and Chief Executive Officer of the Company, is not an independent director in light of his executive position with the Company. Mr. Meade, the former Chief Executive Officer and current Executive Director – Operations of the Company, is not an independent director in light of his executive position with the Company. The remaining two directors are not independent because of their respective relationships with major shareholders in the Company. Mr. Bousfield is currently executive chairman of Fern Group Limited, a company associated with the Fern Trust. Mr. Rydell is a senior employee of Elliott Advisors, which is part of The Elliott Group that has a major shareholding in the Company.

The Board of Directors has concluded that the majority of directors are not independent and that the Chairman is not independent. However, the Board of Directors has functioned, and is of the opinion that it can continue to function, independently as required. When necessary or desirable, the Board of Directors has established committees composed of members who are considered to be independent with respect to the issues to be determined. When voting on Board resolutions, directors with a direct interest in the resolution abstain from the vote. In addition, as previously noted, the Committee, in its different functions, meets regularly (quarterly) in the absence of the remaining members of the Board of Directors and calls upon executive directors from time to time to provide information, comments and recommendations as may be required by the Committee.

During 2009, the Company appointed John Kearney as lead director, whose responsibilities are to provide leadership for the independent directors, ensure that the effectiveness of the Board is assessed on a regular basis, oversee that the Board of Directors discharges its responsibilities, ensure that the Board of Directors evaluates the performance of management objectively, ensure that the Board of Directors understands the boundaries between the Board of Directors and

management responsibilities and, in conjunction with the Chairman of the Board, facilitate the effective and transparent interaction of Board members and management.

The following table shows directors' attendance at Board meetings and, if applicable, meetings of the Committee since January 1, 2013.

<b>Member</b>	<b>Position with Avnel</b>	<b>Board Meeting Attendance</b>	<b>Audit Committee Meeting Attendance</b>
Howard B. Miller	Chairman and Chief Executive Officer	6/6	–
Roy Meade	Executive Director, Operations	6/6	–
Anthony M. Bousfield	Director	4/6	–
Ibrahim Kantao	Director	5/6	5/6
John Kearney	Lead Director	6/6	6/6
Derek Kyle	Director	5/6	5/6
Jonas U. Rydell	Director	6/6	–

### **Board Mandate**

The Board of Directors does not have a written mandate. However, the fundamental responsibility of the Board of Directors is to supervise the management of the Company's business and affairs with a view to sustainable value creation for all shareholders. Avnel's Board of Directors promotes fair reporting, including financial reporting, to shareholders and other interested persons as well as ethical and legal corporate conduct through an appropriate system of governance, internal controls and disclosure controls.

The Board of Directors is also responsible for identifying and assessing areas of significant risk, and for ensuring that there are sufficient policies and procedures in place to manage these risks.

### **Other Board Memberships**

The directors listed below currently serve as directors on the boards of directors of other public companies:

<b>Director</b>	<b>Public Company Board Membership</b>
John Kearney	Anglesey Mining plc (LSE) Canadian Zinc Corporation (TSX) Conquest Resources Limited (TSXV) Minco plc (AIM) Labrador Iron Mines Holding Limited (TSX) Xtierra Inc. (TSXV)
Howard B. Miller	Anglesey Mining plc (LSE)
Jonas U. Rydell	Public Service Properties Investments Limited (AIM)

## **Position Descriptions**

The Board of Directors has not developed written position descriptions for the Chairman, the chairs of the various committee functions of the Committee, and the Chief Executive Officer.

The Board of Directors has vested the Chief Executive Officer with overall stewardship of pursuing the overall strategic and business objectives of the Company as formulated by the Board of Directors.

The Board of Directors has vested the Chairman with the responsibility to ensure the participation of all Board members, independent and not independent, in the proceedings of the Board of Directors and to promote the exercise by directors of their unfettered judgement. The Chairman also exercises supervisory functions in addition to formulating financial and corporate strategies by the Board of Directors.

The Board of Directors assumes responsibility for the stewardship of the Company, acting as a whole or through the Committee. Management is responsible for developing corporate strategies and making recommendations as to the implementation thereof. The Board is responsible for reviewing and approving such strategies on a regular basis and for monitoring management's success at implementing those strategies. The Board of Directors requires management to provide complete and accurate information with respect to the Company's activities and to provide relevant information concerning the industry in which the Company operates in order to identify and manage business risks. The Board of Directors evaluates and monitors members of senior management and deals with succession planning.

## **Orientation and Continuing Education**

While no formal orientation and continuing education program is in place, when new members of the Board are appointed, such individuals meet with management and other members of the Board of Directors to familiarise themselves with the business of the Company and their responsibilities as members of the Board of Directors. In addition, new directors receive copies of Board materials, corporate policies and procedures, and other information regarding the business and operations of the Company. Board members are expected to keep themselves current with industry trends and developments and are encouraged to communicate with management and, where applicable, auditors and technical consultants of the Company. Board members have access to legal counsel to the Company in the event of any questions or matters relating to the Board members' corporate and director responsibilities and to keep themselves current with changes in legislation. Board members have full access to the Company's records.

## **Ethical Business Conduct**

The Board of Directors has not adopted a written ethical business code of conduct for the directors, officers and employees. However, the Board of Directors has adopted, to date, three codes to promote ethical business conduct by the officers, directors and employees:

- The Board of Directors has adopted an environmental good practice code and procured the adoption of that code by its operating subsidiary. In addition to environmental good practice, the code sets out the Company's objectives with regard to the health and safety of its employees, the role the Company plays in the community in which it operates and the promotion of fair labour practices.
- The Board of Directors has adopted a whistle blower policy with respect to financial and accounting issues to ensure all employees are provided with a process through which they may raise concerns in a confidential way without jeopardising their position or incurring other adverse consequences.

- The Board of Directors has also adopted an Insider Trading Policy.

The full Board of Directors and the Corporate Governance and Nominating Committee (as defined below) take steps to ensure that any directors or executive officers having an interest in any transaction with the Company fully disclose such interest and abstain from voting in respect of the transaction concerned. Whilst the Board of Directors permits the director or executive officer to participate in the discussion related to such transactions, it also ensures that an interested director or executive officer affords the remaining directors an opportunity to deliberate such a transaction without the interested director's or executive officer's presence.

### **Committees of the Board of Directors**

During 2013, the Committee, which performs the functions of an Audit Committee, a Corporate Governance and Nominating Committee, a Compensation Committee and a Reserves, Resources and Environmental Committee, was composed of Messrs. John Kearney, Derek Kyle and Ibrahim Kantao, all of whom are unrelated, independent directors of the Company.

#### *Audit Committee*

John Kearney is the chairman of the Committee in respect of its Audit Committee function (the "**Audit Committee**"). The responsibilities and operation of the Audit Committee are set out in the Company's Audit Committee Charter, the text of which is included as Schedule "A" to the Company's annual information form dated March 31, 2014 (the "**AIF**"), a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com). For details on the qualifications of the Audit Committee members please refer to the section entitled "Audit Committee – Relevant Education and Experience" in the AIF.

#### *Corporate Governance and Nominating Committee*

The Committee in respect of its Corporate Governance and Nominating Committee function (the "**Corporate Governance and Nominating Committee**") makes recommendations for candidates for the Board of Directors. The responsibility for approving new nominees to the Board of Directors falls to the full Board of directors. The Corporate Governance and Nominating Committee are responsible for developing the Company's approach to corporate governance issues. It also includes the development and implementation of corporate communications policies. Mr. John Kearney is the chairman of the Corporate Governance and Nominating Committee function.

The Corporate Governance and Nominating Committee is also mandated to plan for the succession of Avnel, including appointing, training and monitoring senior management to ensure that the Company's Board of Directors and management have appropriate skill and experience. The functions of the Corporate Governance and Nominating Committee also include administration of the Board's relationship with the management of Avnel, monitoring the quality and effectiveness of its corporate governance system and ensuring the effectiveness and integrity of communication and reporting to shareholders and the public generally.

#### *Compensation Committee*

The Board of Directors, through its Compensation Committee, annually reviews the adequacy and form of compensation of members of the Board.

For information on the Compensation Committee and executive compensation, see "Compensation Discussion and Analysis".

### ***Reserves, Resources and Environmental Committee***

The Committee, in its function as the Reserves, Resources and Environmental Committee (the “**Reserves, Resources and Environmental Committee**”), is responsible for assisting the Board of Directors in fulfilling its oversight responsibilities in relation to the estimation of mineral resources and reserves by management and the review of mineral reserve information before publication. In this role, the Reserves, Resources and Environmental Committee is also responsible for establishing and assessing the environmental and safety policies of the Company, overseeing compliance with applicable environmental and safety laws and guidelines, and developing and implementing all corporate policies in respect of environmental and safety issues. Mr. Derek Kyle is chairman of the Reserves, Resources and Environmental Committee. Avnel’s objective is to meet the regulatory standards for management of the environments in which it operates. To achieve this objective, Avnel:

- monitors its compliance with all relevant legislation;
- recognises environmental policy as a corporate priority;
- continually reviews all operational activities to ensure compliance; and
- seeks to continually improve its environmental performance.

### **Assessments**

The Board of Directors continuously reviews, on an ongoing informal basis, the effectiveness of the Board of Directors as a whole and the effectiveness, contribution and performance of its committees and individual directors. Each year, when it determines the number of directors to be elected at the annual meeting of shareholders, the Board of Directors considers its appropriate size and composition to properly administer the affairs of the Company and effectively carry out the duties of the Board of Directors, given the Company’s current status and stage of development.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company’s audited consolidated financial statements as at and for the financial year ended December 31, 2013 and management’s discussion and analysis of such financial results, which can be found in the Company’s annual report to shareholders that accompanies this Circular and which has also been filed on SEDAR. Copies of these documents are also available upon request to the Chairman of the Company. The Chairman can be contacted as below:

Avnel Gold Mining Limited  
39 Cheval Place  
London  
SW7 1EW  
England

Tel number: +44 207 589 9082  
Fax number: +44 207 589 8507

## **SHAREHOLDER PROPOSALS**

Persons entitled to vote at the 2015 annual meeting of the Company, and who wish to submit a proposal for consideration at that meeting, must submit their proposals to the Company by December 31, 2014.

## **DIRECTORS' APPROVAL**

The contents of this Circular and the sending hereof to the shareholders of the Company have been approved by the directors of the Company.

Dated: April 17, 2014

By Order of the Board of Directors

*"H.B. Miller"*

**HOWARD B. MILLER**