AVNEL GOLD MINING LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

The following management's discussion and analysis (the "MD&A") for Avnel Gold Mining Limited ("Avnel" or the "Company") describes the consolidated operating and financial results of the Company for the period from January 1, 2017 to June 30, 2017. This MD&A should be read in conjunction with the unaudited consolidated financial statements and related notes for the three and six months ended June 30, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In this MD&A, the Company also reports certain non-IFRS performance measures, such as cash operating cost per ounce sold, which are defined near the end of this MD&A in the section titled "Non-IFRS Measures". The information in this MD&A is provided as of August 10, 2017.

Avnel was incorporated under The Companies (Guernsey) Laws 1994 to 2001 on February 18, 2005 with the purpose of becoming the holding company for, and to carry on the business of, Avnel Gold, Limited, a Cayman Islands company ("Avnel Cayman"), pursuant to a reorganisation which was completed on February 22, 2005. The Company and its consolidated subsidiaries for financial reporting purposes are referred to herein as the "Company", unless the context requires otherwise.

All dollar amounts in this MD&A are expressed in United States dollars ("$" or "US dollars" or "US$"), unless stated otherwise. References to "C$" are to Canadian dollars, to "€" are to the euro, the official monetary unit of the Eurozone, and to "CFA" are to West African CFA franc, the currency of the Republic of Mali.

Second Quarter 2017 Highlights

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

Subsequent to June 30, 2017:

- On July 21, 2017, the Royal Court of Guernsey Court (the "Guernsey Court") granted its initial order (the "Court Order") to convene a meeting of shareholders (the "Court Meeting") and to approve the Endeavour/Avnel scheme of arrangement and other matters set out in the Court Order; a sanction hearing is currently scheduled for September 14, 2017.
- In connection with the implementation of the Scheme, Avnel shareholders will, at a general meeting (the "Extraordinary General Meeting") to take place immediately following the Court Meeting, consider amendments to Avnel's articles of incorporation intended to ensure that upon completion of the Scheme, Endeavour is the sole holder of Avnel Shares.

- On August 4, 2017, the circular proposing the scheme of arrangement (the "Circular") and other meeting materials were sent to Avnel's shareholders and filed with the Canadian securities authorities.
- The Court and Extraordinary General Meeting are scheduled to take place on August 31, 2017 in Toronto.

Outlook

In March 2016, a positive Feasibility Study for the Kalana Main Project was completed and the related environmental and social impact assessment (the "ESIA") and associated Environmental and Social Management Plan (the "ESMP") have been approved by the Malian authorities. The approval of the ESIA was the key government approval required to advance the Kalana Main Project towards construction as the Kalana Exploitation Permit was awarded to Avnel in 2003 with an initial term of 30 years plus two ten year extensions. The Company continues to advance the Kalana Main Project towards a construction decision through its 80% ownership in Société d'Exploitation des Mines d'Or de Kalana, S.A. ("SOMIKA").

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

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

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

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

With respect to operations at the small, Soviet-era, underground mine (the "Kalana Mine"), gold production in the quarter to June 30, 2017 was 2,079 ounces. The Company continues to sustain operations to partially offset the cost of providing underground access to facilitate due diligence activities necessary to secure mine development financing. The continued operation of the underground mine also helps to maintain socio-economic stability in the local community as the workforce prepares to transition to activities related to the construction and operation of the proposed Kalana Main Project. The Company intends to sustain operations for as long as it is economically feasible and safe to do so, without incurring any significant capital expenditures, until such a time as the Company is able to commence construction of the Kalana Main Project.

Overview of the Company

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

The Company's principal asset is an 80% indirect equity interest in SOMIKA, in which the Republic of Mali holds the remaining 20% equity interest, which has free carry and anti-dilution rights. SOMIKA owns and operates the Kalana Mine, a small, Soviet-era, underground gold mine, and holds rights to the Kalana Exploitation Permit, a combined exploitation and exploration permit that is unique in Mali, which was awarded to Avnel in 2003 for an initial term of 30 years. This permit is also host to the Kalanako target, on which a mineral resource has been declared, the Djirila discovery, and 29 advanced exploration targets, including the Kalana Main Project, the Company's flagship development-stage project. A positive Feasibility Study has been completed for the Kalana Main Project and the ESIA for the development of a new mine has been approved by the Malian authorities.

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

Proposed Acquisition of Avnel by Endeavour Mining Corporation

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

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

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

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

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

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

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

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

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

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

Kalana Main Definitive Feasibility Study

The Company issued a news release on March 30, 2016 announcing a summary of the results of a feasibility study for the Kalana Main Project (the "Feasibility Study"). The Feasibility Study was led by Snowden Mining Consultants Pty Ltd. ("Snowden") with the support of several leading consulting firms, all of whom have extensive experience in Mali, including Mr. Ivor Jones of Denny Jones Pty. Ltd. ("Denny Jones"), DRA Projects (Pty) Ltd. ("DRA"), and Epoch Resources (Pty) Ltd. ("Epoch Resources"). The Company filed a NI 43-101 compliant technical report (the "Kalana Technical Report") in support of the Feasibility Study and the ESIA on SEDAR on May 6, 2016. Avnel has an 80% equity interest in

SOMIKA, the Malian company that holds the Kalana Exploitation Permit, which includes the Kalana Main Project. The non-IFRS performance measures reported in this MD&A in respect of the Feasibility Study results are based upon 100% ownership of the Kalana Main Project.

The life of the Kalana Main Project is 21.5 years from construction to closure in the Feasibility Study. The proposed open pit mine at the Kalana Main Project (the "Kalana Open Pit Mine") covers the full footprint of the existing Kalana Mine underground infrastructure. The Kalana Mine's underground workings, offices, the gold plant, and other buildings are scheduled to be reclaimed 15 months after the start of construction. The pre-strip is scheduled to commence 16 months after the start of construction. Hot commissioning and commercial production are scheduled to commence 22 and 25 months after the start of construction, respectively. The life of mine ("LoM") is defined as 18 years, including the six months of mining pre-strip and the processing of stockpiled material after mining of the open pit is scheduled to cease.

The mine plan provides for mining production from the Kalana Main deposit, from a single open pit with 12 stages, using trucks and excavators. Run of mine ("RoM") ore will be delivered from the mine to the processing plant, which consists of a simplistic conventional two-stage crushing circuit and a single-stage milling circuit to achieve a target grind size of 80% passing 75 microns. The processing plant design is based on annual throughput rates of 1.5 million-tonnes-per-annum ("Mtpa") for saprolite and 1.2 Mtpa for saprock and fresh rock material. Gold is to be extracted by gravity concentration and a carbon-in-leach ("CIL") plant to produce a gold doré via elution, electrowinning, and smelting. LoM average recovery is projected to be 93% at an average head grade of 2.8 g/t Au resulting in LoM production of 1.82 million ounces.

The plant design philosophy incorporates a requirement that the processing plant be constructed in a manner that would expedite the construction of the leaching and adsorption circuit with the intention of processing historic tailings from the underground Kalana Mine prior to the hot commissioning of the mill. These tailings are intended to be recovered by hydraulic mining and processed through the CIL circuit over a 5-month period starting 17 months after the commencement of construction. Ore from the pre-strip stockpiles will be fed to the plant during the hot commissioning period prior to commercial production. This production represents an opportunity to generate pre-commercial production cash flow that could partially offset development capital requirements.

The site will be developed to include the process plant, the Kalana Open Pit Mine, mining services area, tailings storage facility, waste rock dump, accommodation facilities, stormwater management systems, and sewerage treatment. A 5-kilometre long diversion of the public road between the communities of Kalana and Yanfolila will also be required.

The site has an existing limited nominal grid supply of 5 mega-volt-ampere ("MVA") at 33 kilovolts ("kV") from the local utility and currently operates with 2 MW. Mali has an electrical power capacity deficit and it is not currently feasible to obtain reliable, additional power from the grid that will meet the requirements for the proposed Kalana Main Open Pit Mine. As a result, the power distribution design for the new process plant is expected to be provided by a power plant comprising heavy fuel oil ("HFO") generators, which will be constructed as part of the development phase. The existing grid supply will be retained and used to power the mining services infrastructure and accommodation.

The initial capital expenditure estimated to bring the Kalana Main Project to commercial production is $196.3 million. The pre-production capital expenditure includes construction of the processing plant and related infrastructure, purchase of the initial mining fleet (not lease financed), construction of the TSF, the initial stages of the Town of Kalana partial relocation and Owner's team costs. After-tax operating revenue generated during the pre-production period from the processing of historic tailings and commissioning ore is approximately $41.2 million and is expected to offset the initial capital expenditure. As a result, the total net capital expenditure to commercial production is $163.2 million, including an initial investment in working capital of $8.1 million. Total LoM sustaining capital is estimated at $123.0 million and includes capital for the process plant and infrastructure, allowances to divert the Kalanako stream, mobile fleet rebuilds and additional fleet purchases, plus other sustaining capital and closure costs.

Mine operating costs will vary depending on the amount of bulk and selective material, the depth of the material, the distance hauled to the waste dump or RoM pad, and the type of ore mined. Total mining costs are $2.97 per tonne of material moved over the LoM, excluding the pre-strip, grade control and maintenance reduction. Pre-stripping commences in the pre-production period and the associated mining costs for ore and waste are included in the pre-stripping capital expenditure.

Processing plant operating costs also vary depending on the type of ore. Plant processing operating costs for saprolite, saprock, and fresh ores are $12.82 per tonne of ore ("/t ore"), $18.28/t ore, and $17.68/t ore, respectively. Plant processing operating costs for the historic tailings ore is $8.44/t ore. Mine site G&A operating costs are $6.17/t ore.

Average annual gold production over the first five full years of commercial production is approximately 148,000 recovered ounces at an average cash operating cost of $460 per ounce produced which includes mining, plant processing and mine site G&A operating costs. Including refining, transportation, and royalties, the average total cash cost is $507 per ounce sold. Including sustaining capital expenditures and mine operator fees to be earned by Avnel, the average on-site all-in sustaining cost ("AISC") is $595 per ounce sold during the first five years of commercial production. Over the 18-year LoM, the average total cash operating cost is $648 per ounce produced, the average total cash cost is $695 per ounce sold, and the AISC is $784 per ounce sold.

On a 100% ownership basis and utilising a constant gold price of $1,200 per ounce, the Kalana Main Project has an unlevered post-tax internal rate of return ("IRR") of 38%, an unlevered post-tax net present value ("NPV") of $196 million at an 8% discount rate ($257 million at a 5% discount rate), and an undiscounted payback period of initial capital of 1.2 years. The Proven and Probable Mineral Reserve for the Kalana Main Project is 21.0 million tonnes at an average grade of 2.8 grams of gold per tonne ("g/t Au") containing 1.96 million ounces of gold.

Included in these after-tax estimates are management fees and engineering fees paid to Avnel for the operation of the Kalana Main Mine (the "Mine Management Fee"). As per the Company's Operator Agreement with SOMIKA, the Mine Management Fee is calculated as 0.75% of SOMIKA's turnover (gross revenue) and 2.5% of brut exploitation excess (or "EBE", which is equivalent to Earnings Before Interest, Taxes, and Depreciation or "EBITD") as calculated in accordance with Le Système Comptable Ouest Africain ("SYSCOA"). The engineering fee is calculated at 4% of capital costs.

Excluded from this analysis is SOMIKA's repayment of existing inter-company loans, accrued interest, and accrued Mine Management and Engineering Fees associated with the underground Kalana Mine to Avnel. Avnel estimates that these amounts total approximately $130 million as at June 30, 2017.

Kalana Main ESIA

The ESIA is the culmination of more than two years of environmental baseline studies, engineering studies conducted as part of the Feasibility Study, archaeological and cultural heritage studies, water management studies, ecological studies, social baseline studies and comprehensive community consultations. Additionally, the Town of Kalana and the surrounding communities have overwhelmingly endorsed the development of the Kalana Main Project. The only significant government approval required to develop new mines on the permit is an ESIA and the associated ESMP.

The ESIA and other related documentation were submitted to the Malian authorities for review in the first quarter of 2016 and were approved by the Ministry of Environment and Sustaining Development on April 28, 2016. The approval of the ESIA was the key government approval required to advance the Kalana Main Project towards the construction phase as the Kalana Exploitation Permit was awarded to Avnel in 2003 with an initial term of 30 years.

The Company is not aware of any non-compliance at the existing underground Kalana Mine with its environmental obligations. The Kalana Mine is audited by the Ministry of Environment and Sustainable Development annually.

Mineral Resources

The In Situ Mineral Resource Statement for the Kalana Project as at June 2017, which is inclusive of mineral reserves, is summarised in the following table:

Mineral Resource Statement[1,2,3,4,5] (June 2017)

	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (Moz)
Measured			
Kalana Main	9.5	4.20	1.28
	9.5	**4.20**	**1.28**
Indicated			
Kalana Main	13.5	4.10	1.77
Kalana Main Tailings	0.7	1.75	0.04
Kalanako	0.8	4.61	0.11
	15.0	**4.02**	**1.92**
Measured and Indicated			
Kalana Main	23.0	4.14	3.06
Kalana Main Tailings	0.7	1.75	0.04
Kalanako	0.8	4.61	0.11
	24.5	**4.09**	**3.21**
Inferred			
Kalana Main	1.7	4.51	0.24
	1.7	**4.51**	**0.24**

1 – Mineral Resources are disclosed on a total project basis at 100%. Avnel owns an 80% equity interest in SOMIKA, the Malian company that holds the Kalana Exploitation Permit.
2 – Mineral resources are inclusive of mineral reserves and are reported above a cut-off grade 0.90 g/t Au at a gold price of $1,400 per ounce,
3 – Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues. The Mineral Resources are estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Definition Standards on Mineral Resources and Reserves prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council.
4 – Kalana Main includes depletion by production to September 2015. There has been minor production since September 2015.
5 – The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.

Mineral Reserves

The Mineral Reserve Statement for the Kalana Main Project is presented in the table below:

Kalana Main Project Mineral Reserve Estimate[1,2,3] (March 2016)

Deposit	Classification	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)
Kalana Main	Proven	5.1	3.0	0.49
Kalana Main	Probable	15.9	2.8	1.43
Kalana Main	Proven and Probable	21.0	2.8	1.92
Tailings	Probable	0.7	1.8	0.04
Total Proven and Probable		**21.7**	**2.8**	**1.96**

1 – Mineral reserves are disclosed on a total project basis at 100%, are inclusive of mineral resources, and defined using a gold price of $1200/oz. Avnel owns an 80% equity interest in SOMIKA, the Malian company that owns the Kalana Exploitation Permit. Some amounts in this table may not compute due to rounding and truncation.
2 – Kalana Main includes depletion by production to September 2015. There has been minor production since September 2015.
3 – Mineral reserves are estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Definition Standards on Mineral Resources and Reserves prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council.

Kalana Main Project Optimisation

On January 9, 2017, the Company announced results from the optimisation feasibility study ("the OFS"), which indicate opportunities for a number of cost reductions from those set out in the Feasibility Study. If accepted, the OFS modifications could result in an increase of 25% in the after-tax NPV to $321 million, at a 5% discount rate, compared to $257 million estimated in the Feasibility Study and an improvement in the after-tax internal rate of return (IRR) to 50%, compared to the 38% IRR in the Feasibility Study (base case gold price of $1,200 per ounce).

The OFS does not incorporate any changes to the project's underlying NI 43-101 compliant Mineral Reserves and Resources and the production profile and the mining plan of the project outlined in the Feasibility Study remain unchanged, but as a result of the optimisation process, the project's cost structure has been reduced.

The results of the OFS represent potential alternative scenarios and do not supersede the Feasibility Study. Investors should rely on the Feasibility Study. See "Forward-Looking Statements" and "Technical Information" in this MD&A. Information of a scientific or technical nature in this section has been prepared under the supervision of Mr. Roy Meade, President of the Company, who is a "qualified person" as defined by NI 43-101.

Initial capital expenditure has been lowered by $25 million to $171 million and, accounting for pre-commercial production revenue generated from processing historic tailings from the existing underground Kalana Mine, the net funding requirement to commercial production, including contingency, is estimated at $139 million, approximately $24 million lower than previously estimated in the Feasibility Study.

Project Economics

Economic Metrics ($1,200/oz Gold)	Feasibility Study	OFS
Pre-tax NPV @ 5%	$345 m	$434 m
Post-tax NPV @ 5%	$257 m	$321 m
Pre-tax NPV @ 8%	$266 m	$341 m
Post-tax NPV @ 8%	$196 m	$250 m
Pre-tax IRR	44%	62%
Post-tax IRR	38%	50%
Undiscounted Payback Period	1.2 yrs	1.1 yrs

OFS Economic Metrics	Low Case	Base Case	High Case
Gold Price	$1,000/oz	$1,200/oz	$1,400/oz
Pre-tax NPV @ 5%	$212 m	$434 m	$656 m
Post-tax NPV @ 5%	$154 m	$321 m	$482 m
Pre-tax NPV @ 8%	$162 m	$341 m	$520 m
Post-tax NPV @ 8%	$116 m	$250 m	$381 m
Pre-tax IRR	39%	62%	83%
Post-tax IRR	31%	50%	66%
Undiscounted Payback Period	1.6 yrs	1.1 yrs	0.9 yrs

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 first half 2017. Given the acquisition of Avnel by Endeavour, activities in the third quarter will be limited to the implementation of the RAP in close collaboration with Endeavour management.

1. 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 a Feasibility Study 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 2017. In March the tender was re-issued to additional experienced earthworks contractors. Tenders were received in Q2 2017 and are within the feasibility study budget.

2. As part of the optimisation process, Avnel advanced discussions with KPS 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. During the quarter discussions were held between Avnel, KPS and DRA to establish detailed power draw schedules over the project. KPS completed a supply design and provided a commercial proposal to Avnel. This proposal was used in the OFS. Subsequently a draft Power Supply Agreement has been negotiated and awaits approval once project financing is in place.
3. 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, which was completed in Q1 2016 and approved by the Malian authorities. During first half 2017 an Environmental Manual has been completed to guide the implementation of the ESMP and management plans developed for specific activities.
4. ESDCO, a leading Malian environmental consultancy, has been appointed to provide external consultant expertise for the implementation of the approved RAP in line with Malian legislation and IFC Performance Standards. The RAP will be implemented by a steering commission (the "Commission") headed by the Préfet of Yanfolila. The Commission 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 Commission. 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 Commission. The Commission formally commenced in December 2016 after the local government elections in Mali in November. During Q1 2017 the Commission met on several occasions with local population to establish the RAP process and the Grievance Mechanism Plan. ESDCO has re-affirmed through interviews with all Impacted Persons the individual assets that will be impacted and the compensation procedures. Compensation can be in cash or alternative accommodation.

5. An ESIA was prepared for the 5.5 km public road diversion around the new mine infrastructure and the relocated power line. This will replace the existing public road to Kalana Town. The ESIA process is on hold subject to potential changes based on the optimisation study planned by Endeavour Resources.
6. The site for the relocation of impacted persons was identified by the community in Q1 2016. During Q3 2016 SOMIKA completed a geotechnical survey of the site and the results were 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 RAP. The urbanisation plan will be completed in Q3 2017.
7. ESDCO completed the architectural design and location for the relocated Technician Camp and Gendarmes Camp/offices that are within the exclusion zone. The necessary authorisation for the location and construction has been approved by the relevant authorities. Request for tender has been issued and tenders were received in Q2 2017.
8. The company has continued negotiating the EPC contract with DRA/Group 5 and final documentation is being reviewed by legal advisors. Due to the delay in project start the EPC price will have to be reviewed taking into consideration potential inflation and exchange rate changes. Given the plan by Endeavour Resources to conduct an optimisation study in 2017/18, the plant and infrastructure capacity will change and a new construction schedule and cost will be developed.

Kalanako Deposit

Kalanako drilling database and previous estimate

Located less than 3 km northeast of the Kalana Main Project and the milling facilities proposed in the Optimised Definitive Feasibility Study, the Kalanako prospect is an area of historic traditional mining activity (Figure 1 & 2). Several mineralised 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 mineralised zones are typically less than 5-15 meters wide and appear to be steeply dipping to the northeast, and often contain high-grade intercepts in the oxide part of the deposit (Figure 3 & 4).

The vertical depth of saprolite and saprock is between 70 m and 130 m, much deeper than that observed at Kalana. Diamond drilling at Kalanako intersected numerous high strain zones, packets of densely laminated quartz veins or vein stockwork with sulphides and locally highly altered and mineralised felsic intrusive rocks. Mineralisation is associated with these felsic intrusive rocks or quartz stockwork that occur along northwest-southeast striking shear zones, parallel or less than 10° in azimuth from the main geophysical structure illustrated by the magnetic and IP surveys.

The March 2015 MR for the Kalanako deposit was based upon information from 46 diamond drill holes and 232 RC drillholes (Figure 1). Historical drill-hole intersections were independently summarised and press-released in October 2016. The Kalanako Mineral Resource Statement completed by Denny Jones (Pty) Limited, has been reported above a cut-off grade of 0.9 g/t Au, and is summarised as follows:

- March 2015 Inferred in-situ resource of 69 koz (0.38 Mt grading 5.55 g/t Au)

An infill drilling programme of 8,635 meters (82 RC holes, Figure 1) was successfully completed in December 2016, on time and on budget and with an excellent productivity and safety record (no Lost Time Injury). This programme was focused on the saprolite and saprock weathered domains (drillhole depth of 50-175 meters). The Kalanako 2016 drilling campaign was initially designed to improve grade continuity infilling the in-pit resource in order to upgrade resource classification. Using historical data as a guide, additional holes had been considered to collect information for the mineralised zones between these resource pits in order to increase the total amount of resources. Drill-Hole intersections were independently summarised and press-released in February and March 2017.

Kalanako May 2017 Mineral Resource Estimate

The pit-constrained in situ Mineral Resource for Kalanako has increased by two thirds to 114 thousand ounces since 2015 while maintaining a recoverable cut-off grade of 0.9 grams of gold per tonne of material ("g/t Au") and utilising a lower gold price of $1,400 per ounce (down from $1,500 per ounce) to define the limits of the mineral resource. This increase is attributable to a 67% increase in contained ounces, a 103% increase in tonnes, and a 17% decrease in average grade relative to the March 2015 MRE. The increase to the in situ Mineral Resource is largely attributable to the expansion of the pit shell (Figure 1 & 2) as a result of better intersections from the 2016 DH database and the 2016 drilling into central and south portions of the deposit outside the previous resources pit shell (Figure 1). The decrease in grade is directly attributable to the denser drilling pattern, which has constrained the grade better than in the 2015 block model. The more dense drilling pattern and the better grade continuity is at the origin of the upgrading of the Inferred Mineral Resource into the Indicated category, which demonstrates a significant increase in the overall confidence in the Mineral Resource.

Kalanako In Situ Mineral Resource Estimate Above a 0.9 g/t Au Cut-off Grade

Mineral Resource Classification	Tonnes (million tonnes)	Grade (g/t Au)	Contained Gold (thousand oz)
Measured	-	-	-
Indicated	0.77	4.61	114
Measured + Indicated	**0.77**	**4.61**	**114**

1 – Mineral Resources are disclosed on a total project basis at 100%. Avnel owns an 80% equity interest in SOMIKA, the Malian company that owns the Kalana Exploitation Permit.

Kalanako May 2017 Diluted Mineral Resource Estimate and cut-off grades

An important contribution to the Mineral Resource estimation process since March 2015 is an improvement to the estimation of dilution. The addition of estimated local dilution compared to the global dilution assumption of 35% utilised in 2015 has resulted in the exclusion of some lower grade and narrow mineralisation and improvement of the most robust wide mineralisations. From the drilling information, significant intersections (SID) were defined where the grade of the intersection exceeded the cut-off grade being examined whilst incorporating no more than two metres of dilution within the intersection. This allowed an assessment of internal dilution expected in a mining package by comparing the total number of metres within the SID intercepts with the number of metres from the one metre composite assay data exceeding the cut-off grade from the same drill data. Once significant intersections had been defined (inclusive of internal dilution), 0.5 m (0.25 m true thickness) was added to the top and bottom of the SID intersections to form SIDEX intersections (inclusive of external dilution).

As detailed in the tables below, the pit-constrained diluted Indicated Mineral Resource above the diluted cut-off grade is currently estimated at 1.11 Million tonnes at a diluted grade of 3.34 g/t Au containing 119 thousand ounces with an estimated global dilution of 44%. Internal and external dilution adds 0.34 Mt at 0.46 g/t (5 koz) to the in situ recoverable resource.

A breakdown of the diluted Mineral Resource by classification and oxidation state is presented in the following table:

Kalanako Deposit Diluted Mineral Resource Above a 0.9 g/t Au Cut-off Grade

	Tonnes (million tonnes)	Grade (g/t Au)	Contained Gold (thousand oz)
INDICATED RESOURCE			
Laterite + Mottled zone	0.02	3.37	2
Saprolite	0.88	3.33	94
Saprock	0.21	3.39	23
TOTAL	**1.11**	**3.34**	**119**

1 – Mineral Resources are disclosed on a total project basis at 100%. Avnel Gold owns an 80% equity interest in SOMIKA, the Malian company that owns the Kalana Exploitation Permit.
2 – Some amounts in this table may not compute due to rounding and truncation

The Kalanako recoverable resource has been modelled for a range of cut-off grades from 0.7 g/t Au to 0.9 g/t Au. Each model has received is own dilution model based on the significant intersection approach previously developed for the Kalana Main deposit. Resulting whittle optimisations have shown a strong stability of the resource no matter which cut-off grade is chosen to define the recoverable resource. In the absence of a more detail study of the Kalanako mineralisation, the 0.9 g/t Au cut-off grade has been chosen for consistency with the March 2015 mineral resource as previously reported.

Kalanako Mineral Resource Dilution Estimate[1,2]

Cut-off Grade (g/t)	Resource Tonnes (million)	Resource Grade (g/t Au)	Internal Dilution (%)	Internal Dilution (g/t Au)	External Dilution (%)	External Dilution (g/t Au)	Diluted Tonnes (million)	Diluted Grade (g/t Au)	Contained Ounces (000)
0.9	0.77	4.61	28.8%	0.48	11.5%	0.36	1.11	3.34	119
0.8	0.85	4.28	27.3%	0.45	10.9%	0.31	1.20	3.14	121
0.7	0.94	3.93	25.7%	0.39	10.1%	0.27	1.30	2.94	123

1 – Mineral Resources are disclosed on a total project basis at 100%. Avnel owns an 80% equity interest in SOMIKA, the Malian company that owns the Kalana Exploitation Permit.
2 – Some figures in this table may not compute due to rounding and truncation.

Prospects of Eventual Economic Extraction Criteria & Mineral Resource Classification

All Mineral Resources are pit constrained and are classified as Measured, Indicated, or Inferred Resources in accordance with the CIM Standards on Mineral Resources and Reserves, Definitions, and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council. The Kalanako deposit is located close to the Kalana Main deposit, and it is expected to incur similar mining and processing costs, and share overhead costs with the Kalana Main Project. External dilution was modelled as 25cm additional skin, which is considered reasonable as Kalanako is 100% weathered, is steeply dipping mineralisation, and could be mined using the 140t scale excavators proposed for Kalana Main.

Classification of parts of the Mineral Resource was applied based upon data quality, confidence in the geological interpretation, and grade and geological variability. Parts of the resource model classified as a part of the Mineral Resource exceed a diluted cut-off grade of 0.9 g/t Au and fall within a Whittle4X evaluation shell that was used to test for the reasonableness of economic extraction. Areas informed by 25 metre by 32.5 metre spaced drilling (approximate dimensions) from the Avnel or IAMGOLD drilling, where there is a reasonable level of confidence in the geological information, interpretation and grade estimate, and were estimated with a minimum of 8 samples have been classified as Indicated Resource. Areas where there is no informing data and/or are lower grade material that is outside of the mineralised interpretation or fall outside of the whittle shell are not classified as a part of the Mineral Resource.

Kalanako upside potential

A large part of the Kalanako prospect remains undrilled. The drilled portion of Kalanako (1,500m per 250m oblique corridor) is oblique to the main geophysical structure. It corresponds to only 700m (true distance) of a 5.2 km long geophysical structure (Figure 5) defined among other as a sharp contact between low and high IP gradient domains. The Kalanako resource is open along the structure defined by the geophysical anomaly. Some large collapses above old artisanal underground developments in the north and more modern artisanal pits in the south, and recent quartz sampling results highlight the continuity of the mineralisation and the resulting high potential of this main northwest-southeast 5.2km long structure. Future drilling campaigns would target other areas along the same geophysical structure.

Regional Exploration

Avnel's exploration team has dedicated significant resources to the evaluation of regional exploration prospects outside of the Kalana Main area. Based on historical geochemical and geophysical data (SONAREM, Avnel, IAMGOLD) and a field survey of the main historical and traditional mines (i.e. orpaillage), 29 prospects have been identified on the Kalana Permit. To date, only 3 of our 30 targets have been partially drill tested, all successful. Exploration work is being conducted to evaluate and rank our premier targets.

A first group of 8 prospects (Bandiala, Tonda, Solomanina River, Solomanina central and Solomanina South, Sanékourou, Dadiougoubala, Dabaran North, Dabaran South and Kodialani, which is the NW extension of Kalanako) have been selected for an advanced geochemical survey. Sampling grids (5 x 5 or 10 x 10m) have been implemented to sample the rejected quartz and tailing domes produced by historical and traditional mining activities in order to localise the ore shoot inside these large prospects. A grand total of 10,410 tailing dome samples and 2,425 quartz samples have been collected on 7 of the prospects named above (Dabaran South sampling being in progress). Results from Tonda (823 domes and 26 quartz), Bandiala (1409 domes and 170 quartz) have been fully received while results from Solomanina (2 zones out of 3; 2088 domes and 474 quartz) and Sanékourou (684 domes and 229 quartz) have been partially received. Results received to date were QAQC validated and are very encouraging.

Fougadian Project

All of the exploration permits that comprise the Fougadian Project expired in 2015. The Company has applied to the Malian Ministry of Mines, Energy, and Water for a new consolidated exploration permit that covers an area of 99.8 km2 and discussions are ongoing. As of the date of this MD&A, the Company does not consider the Fougadian Project to be material to it.

Current Underground Mining Operations

In 2016, the Kalana Mine processed approximately 54,300 tonnes of material per month from a mix of underground production and surface stockpiles at an average grade of 7.2 g/t with a 77% recovery resulting in production of 9,633 oz.

In the first half of 2017 gold production was 3,845 ounces compared to 4,853 ounces in the half year to June 30, 2016. The reduced production resulted from a 18% decrease in head grade to 5.83 g/t Au in the first half of 2017 compared to 7.08 g/t Au in the first half of 2016, lower gold recovery of 74.0% in the first half of 2017 relative to 76.6% in the comparative period in 2016, partly offset by increased tonnes milled from 27,826 tonnes in the half year to June 30, 2016 to 28,639 tonnes in the half year to June 30, 2017.

Although the Kalana Mine continues to benefit from the ongoing weakness in local currencies relative to the US dollar, the Company does not expect the underground mine to be profitable under the prevailing gold price environment. In the half year to June 30, 2017, the Kalana Mine had a negative cash flow of $542,000. The Company continues to sustain operations to partially offset the cost of providing underground access to facilitate due diligence activities necessary to secure mine development financing. The continued operation of the mine also helps to maintain socio-economic stability in the local community as the Company prepares to transition the workforce to activities related to the construction and operation of the new mine. The Company intends to sustain operations for as long as economically feasible and safe to do so, without incurring any significant capital expenditures, until such a time as the Company is able to evaluate development options for the Kalana Main Project.

Selected Financial Information (In thousands of U.S. dollars except per share amounts) Three and six months ended June 30

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

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

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

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

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

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

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

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

Mining Operations

The following table summarises the production from the Kalana Gold Mine:

	Three months ended June 30		**Six months ended June 30**	
	2017	**2016**	**2017**	**2016**
Tonnes milled:	15,364	12,921	28,639	27,826
Average grade processed (g/t Au):	5.78	6.10	5.78	7.08
Recovery rate (%)	72.0	74.8	72.0	76.6
Gold production (ounces)	2,079	1,895	3,845	4,853
Cost per tonne milled	$165	$204	$170	$189
Operating cost per ounce of gold sold	$1,256	$1,322	$1,284	$1,060
Operating cost per ounce of gold produced	$1,218	$1,388	$1,270	$1,085

Gold production of 3,845 ounces in the half year to June 30, 2017 was 21% lower than the half year to June 30, 2016. The reduced production resulted from an 18% decrease in head grade to 5.78 g/t Au in the half year to June 30, 2017 compared to 7.08 g/t Au in the half year to June 30, 2016, lower gold recovery of 72.0% in the half year to June 30, 2017 relative to 76.6% in the comparative period of 2016, partly offset by increased tonnes milled from 27,826 tonnes in the half year to June 30, 2016 to 28,639 tonnes in the half year to June 30, 2017.

Gold Sales

Gold sales data is as follows:

	Three months ended June 30		Six months ended June 30	
	2017	**2016**	**2017**	**2016**
Ounces sold	1,923	2,344	3,879	5,041
Average realized gold price ($ per ounce)	1,257	1,260	1241	1230

Metal revenue - $000

	Three months ended June 30		Six months ended June 30	
	2017	**2016**	**2017**	**2016**
Total gold sales	2,418	2,954	4,813	6,199
Silver sales	5	6	10	12
Metal revenue	2,423	2,960	4,823	6,211

Gold spot prices commenced in 2017 at $1,151 per ounce and ended at June 30, 2017 at $1,242 per ounce, with the London PM Fix averaging $1,238 per ounce during the half year.

Summary of Quarterly Results

Consolidated Statement of Operations for the Quarters Ended

Quarter ended (US$'000 except per share amounts)	**June 30 2017**	**Mar 31 2017**	**Dec 31 2016**	**Sept 30 2016**	**June 30 2016**	**Mar 31 2016**	**Dec 31 2015**	**Sept 30 2015**
Total revenue	2,423	2,400	3,106	2,714	2,960	3,251	2,614	2,280
Net (loss)/profit from continuing operations	(2,619)	(3,548)	436	2,888	(2,863)	(745)	(1,267)	825
Net (loss)/profit from continuing operations attributable to ordinary equity holders of the parent	(2,067)	(3,066)	701	3,278	(2,326)	(419)	(792)	1,352
Net (loss)/earnings per share from continuing operations attributable to ordinary equity holders of the parent	($0.005)	($0.008)	$0.002	$0.011	($0.008)	($0.001)	($0.004)	$0.004

Second Quarter Results

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

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

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

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

Liquidity, Capital Resources and Going Concern

These unaudited interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Group will realise its assets and discharge its liabilities in the normal course of business. At June 30, 2017 the Group had net current assets of $10,388,000, and including a cash balance of $8,875,000.

On June 28, 2017 it was announced that Endeavour Mining Corporation ("Endeavour") will acquire 100% of Avnel's issued and outstanding common shares ("the Endeavour transaction") under a court-sanctioned scheme of arrangement under Part VIII of the Companies (Guernsey) Law, 2008 (the "Scheme"), subject to the satisfaction of various conditions.

Under the terms of the Scheme, Avnel shareholders will receive 0.0187 of an Endeavour share, which represents a value of C$0.42 per share based on Endeavour 5 days VWAP (Volume Weighted Average Price) on the TSX on 28 June 2017 and a total consideration of approximately C$159 million ($122million).

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

At the date of approval of these unaudited interim consolidated financial statements, the Endeavour transaction is proceeding on schedule with the Scheme going before shareholders at a general meeting on August 31, 2017; court sanction is scheduled for September 14, 2017.

The directors have reasonable expectations that the Endeavour transaction will be successfully completed in line with the existing timetable. However, should the transaction with Endeavour fail to proceed or completion be significantly delayed, the Company may need to raise further funds in the first quarter of 2018 in order to satisfy short-term working capital needs and would seek alternative avenues to secure the longer term project financing required to develop the Kalana Main project.

The Endeavour transaction demonstrates that in the Kalana Main project the Company has a valuable asset. The directors recognise the continuing operations of the Company are dependent upon its ability to secure adequate financing, whether through completion of the Endeavour transaction or by other means, and that funding will be required both in the short term for working capital purposes and in the longer term to build the proposed open pit mine at Kalana. The directors recognise that the need to secure further funds within twelve months of the date of approval of these financial statements represents a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

While the directors expect the Endeavour transaction to be completed in the near term, in the event it does not there remain a number of alternative options available to the Company to raise the financing required. These include pursuing options with the major shareholders and re-engaging in discussions with banks, financial institutions and other mining companies that have previously expressed interest in proposals for financing. Therefore the unaudited interim consolidated financial statements have been presented on the basis that the Company is a going concern. The unaudited interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the unaudited interim consolidated financial statements.

Mining Properties

The carrying value of the Company's property, plant and equipment, including mining properties and capitalised mine development costs and capitalised exploration and evaluation assets, at June 30, 2017 was $19.4 million and $17.4 million as at December 31, 2016. The carrying value of these assets is not necessarily indicative of the realisable value of such assets if they were to be offered for sale at this time.

As of June 30, 2017, management assessed indicators of impairment of the carrying value of the Company's mineral properties and mining assets and does not consider that there has been any evidence of impairment in the value of such assets.

By their very nature, there can be no assurance that these estimates will actually be reflected in the future operations. The ultimate value of mineral properties and capitalised development costs is dependent upon, amongst other things, obtaining the necessary financing to develop the proposed open-pit Kalana Main Mine.

Contractual Obligations

The Company had the following future commitments under operating leases as at June 30, 2017:

Operating leases commitments within - $000	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Operating Leases [1,2]	407	147	260	-	-
Total Contractual Obligations	**407**	**147**	**260**	**-**	**-**

Notes:

1. The Company renewed an operating lease on July 1, 2016 for office space and equipment with a company related to the Fern Trust, a significant shareholder of the Company, as defined by the TSX. Pursuant to these leases, which expire in June 2020, future minimum payments amount to $390,000 up until the end of the lease.
2. The Company has entered into an operating lease for an office building in Bamako, Mali. Pursuant to the lease, which expires in June 2018, future minimum payments amount to $17,000.

Contingent Liability

Malian Taxation

The three-year period Malian tax audit on SOMIKA for the years ended 2009, 2010 and 2011 was carried out during 2012 and resulted in a partial report received in December 2012 covering only the 2009 year. A further report covering 2010 and 2011 was received in November 2013. The inspector was claiming $7.2 million including penalties, disputing various tax items including tax allowances on interest, withholding tax on foreign suppliers and VAT exemption. Management believed strongly that the majority of the tax claims were incorrect and took external advice. Management responded to the inspector in December 2013 contesting the claim and held a working clarification meeting in January 2014. A re-assessment was received on July 14, 2014 for $6.5 million, and on July 16, 2014, a letter disputing the re-assessment was sent by the Company to the Malian tax authorities. A further re-assessment was received on November 25, 2016 reducing the claim to $1.4 million which does not give rise to an obligation to pay and discussions continue.

The tax audit of SOMIKA for the years ended 2012, 2013 and 2014 commenced in December 2015. A claim was received on December 9, 2016 for $6.5 million. Management believe that the majority of tax claims are incorrect and after receiving external advice sent a response letter disputing the claim on February 7, 2016. No further correspondence to date has been received from the Malian tax authorities. A material part of both these tax audit claims result from withholding tax and VAT on foreign suppliers which the Company disputes.

The US dollar figures have been converted at an exchange rate of CFA600/US$1

Related Party Transactions

SOMIKA purchases explosives from African Explosives Limited ("AEL"). Mr. Ibrahim Kantao is a director of the Company, SOMIKA and AEL and is also the Director-General of AEL Mali SARL. Such purchases amounted to $150,000 in the six months ended June 30, 2017 compared to $143,000 in the six months to June 30, 2016. The Company has an ongoing supply agreement with AEL.

The premises occupied by Avnel and Kalana Mine Services in London are leased from a company associated with the Fern Trust, a significant shareholder of the Company. The Company incurred $68,000 in rental costs during the half year ended June 30, 2017 compared to $88,000 in the half year to June 30, 2016. The Company's lease expires in June 2020.

Business Risks

The risks associated with Avnel and the effect on future operating results and financial position of the Company are set out in detail under the section entitled "Risk Factors" in the Company's most recently filed Annual Information Form (the "AIF"), which is incorporated by reference into and forms an integral part of this MD&A. The AIF is available on SEDAR (www.sedar.com) and on the Company's website (www.avnelgold.com).

Going Concern

On June 29, 2017, Avnel and Endeavour announced the proposed Scheme

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

On July 21, 2017, the Guernsey Court granted the Court Order to convene the Court Meeting and to approve the other matters set out in the Court Order.

At the date of approval of these unaudited interim consolidated financial statements, the Endeavour transaction is proceeding on schedule with the Scheme going before shareholders at a meeting on August 31, 2017; court sanction is scheduled for September 14, 2017, and subject to satisfaction of various conditions, including receipt of the requisite approval of Avnel shareholders and sanction of the Guernsey Court, the transaction is expected to close on September 18, 2017.

The directors have reasonable expectations that the Scheme will be successfully completed in line with the existing timetable. However, should the Scheme fail to proceed or completion be significantly delayed, the Company may need to raise further funds in the first quarter of 2018 in order to satisfy short-term working capital needs and would seek alternative avenues to secure the longer term project financing required to develop the Kalana Main project. Supported by the results of the Definitive Feasibility Study reported on March 30, 2016, the directors consider the Kalana Project, through the Company's 80% equity ownership in SOMIKA, to be a valuable asset. The directors recognise the continuing operations of the Company are dependent upon its ability to raise adequate capital and that additional funding will be required in the short term for both working capital and to develop the Kalana Main Project. The directors recognise that this represents a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Exploration, Development, and Operating Risk

The Company faces risks associated with underground mining such as rock conditions, water, geological faults, variable vein widths, dilution, power supply, and equipment failures. The international mining industry is facing a shortage of skilled personnel and the Company faces risks in attracting and retaining skilled employees. The Company operates in a remote location in Mali and is reliant on transport systems to deliver equipment and materials which are purchased in South Africa or Europe. There is a risk that such equipment and materials may not always be available on site when required.

The Company's operations are located in West Africa where a major health risk of the Ebola virus occurred in 2014. There is a risk that the Ebola virus may impact the Company's future operations both directly and indirectly. The governments of Mali and its neighbouring countries have instituted procedures to reduce the risk of the Ebola virus becoming an epidemic and outside international agencies continue to provide support.

Gold Prices

The Company also faces risk in respect of its exposure to gold prices. Gold prices are subject to significant fluctuation and are affected by a number of factors which are beyond Avnel's control. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world. The price of gold and base metals has fluctuated widely in the past 10 years, and future serious price declines could cause continued development of and commercial production from our properties to be impracticable.

Foreign Exchange Risk/Gold Hedging

All gold revenues and a portion of operating costs are in United States dollars.

The Company may engage in hedging agreements or activities to minimise the effect of declines in gold prices on its operating results. While these hedging activities may protect the Company against low gold prices, they may also limit the price that the Company can realise on the gold it produces where the market price of gold exceeds the gold price in such forward sales or option contracts. As a result, the Company may be prevented from realising possible revenues in the event that the market price of gold exceeds the price stated in such forward sales or option contracts.

The Company's local costs are paid for in CFA, which is fixed to the Euro at a ratio of 655.957 CFA per Euro. Currency exchange rate fluctuations against the US dollar may increase the Company's costs and the Company may engage in hedging activities to protect the Company's costs. The Company to date has not hedged its foreign exchange risk relating to its non-US dollar expenses.

Capital Requirements

Avnel will require significant capital in order to fund future plans to develop the Kalana Main Project. In addition, a portion of Avnel's activities will be directed towards the search for, and development of, new mineral deposits which will require significant capital investment to achieve commercial production from any successful exploration efforts. Avnel will require additional financing from external sources to meet such requirements. There can be no assurance that such financing will be available to Avnel or, if it is, that it will be offered on acceptable terms. If additional financing is raised through the issuance of equity or convertible debt securities of Avnel, the interests of shareholders in the net assets of Avnel may be diluted. Any failure of Avnel to obtain required financing on acceptable terms could have a material adverse effect on Avnel's financial condition, results of operations and liquidity and require Avnel to cancel or postpone planned capital investments.

Insurance and Uninsured Risks

Due to Malian law, which states that insurance should be contracted only with local Malian insurance companies, Avnel has not had property insurance coverage since July 31, 2009. The Company has been in negotiation with its UK insurance brokers and Malian insurance companies to place the insurance with a Malian insurance company and re-insure the risk in Europe. The Company has to date not been able to obtain re-insurance. Avnel does not maintain political risk insurance.

Environmental Risks and Hazards

The Company is committed to environmental protection, to safe operations and to the control of environmental risks. The Company adheres to the requirements of the Malian Government and has adopted policies and procedures as expected in the mining industry. The Company is committed to maintaining the aforementioned risks at levels as low as can be reasonably achieved, taking into account social and economic factors, and that continued improvement in environmental and health and safety performance be achieved. Certain hazardous materials are presently stored on the Kalana Gold Mine site, including diesel fuel, arsenic trioxide and sulphide concentrates tailings that remain from the SOGEMORK operations in the 1980s.

Governmental Regulation

All phases of Avnel's operations are subject to environmental regulation in the jurisdiction in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Avnel's operations. Environmental hazards may exist on the property which are unknown to Avnel at present and which have been caused by previous or existing owners or operators of the properties.

Global Financial Risk

Recent global financial conditions have been characterised by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Company to obtain equity or debt financing in the future on terms favourable to the Company. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Common Shares may be adversely affected.

Critical Accounting Estimates

The unaudited interim consolidated financial statements of the Company for the six months ended June 30, 2017, have been prepared in accordance with IFRS. Management is required to make various estimates and judgements in determining the reported amounts of assets and liabilities, revenues and expenses for each period presented and in the disclosure of commitments and contingencies. Management considers the following critical accounting policies reflect its more significant estimates and judgements used in the preparation of the unaudited interim consolidated financial statements.

The unaudited interim consolidated financial statements have been presented on the basis that the Company is a going concern. Accordingly, the unaudited interim financial statements do not include adjustments relating to the carrying value of assets, the amounts and classification of liabilities, or other adjustments that might result should the Company be unable to continue as a going concern.

All costs, other than acquisition costs, are expensed prior to the establishment of a Canadian National Instrument 43-101 compliant resource and that the directors conclude that it is more than likely that a future economic benefit will be realised. Gains or losses resulting from the sale or abandonment of properties are included in operations. Acquisition and development costs associated with properties brought into production are charged to operations using the units-of-production method based on estimated proven and probable reserves that can be recovered. Costs of start-up activities and on-going costs to maintain production are expensed as incurred. Production facilities and equipment are stated at cost and are amortised over the estimated proven and probable reserves which can be recovered from the related property.

The Company evaluates the carrying value of its properties and equipment when events or changes in circumstances warrant and tests for recoverability of the long life asset value. With respect to properties, a test for recoverability is performed to determine if the estimated discounted future cash flows exceed the carrying amount of the asset. Measurement of any impairment loss is determined by the estimated fair value of the assets based on the best information available, including comparable asset values in the market and the use of valuation techniques. Any estimates of future cash flows are subject to risks and uncertainties and it is reasonably possible that changes in estimates could occur which may affect the expected recoverability of investments in mining properties. The fair value of the Company's mineral resource has been estimated in excess of the net book value of the Company's assets at the balance sheet date using comparative market value of resources, taken from recent mine transactions conducted at arm's length between willing parties. Based on these estimates management believe that no impairment to the carrying values exist at the balance sheet date. The Company has not recorded any impairment losses in any of the periods.

The fair value of a retirement or rehabilitation obligation is recognised as an asset and a liability in the period when it is incurred. The liability is discounted and an accretion expense is recognised using the credit-adjusted risk-free rate. The retirement asset is included in mining properties and is charged to operations using the units-of-production method based upon estimated proven and probable reserves that can be recovered.

The Company commissioned an environmental report by an independent party. This estimated un-discounted cost for the retirement and rehabilitation of Kalana Mine is $2,236,000. The environmental liability is based on the work required to be carried out on the tailings facilities to ensure stabilisation of the facility and re-vegetation of the tailings surface area, the capping of the underground shafts and the reclamation of plant, workshops, and buildings where appropriate. The area disturbed by mining operations will then be re-vegetated. There will then be an ongoing monitoring of the water quality and re-vegetation programmes. It is possible that the closure plan will change if a new open pit mine is developed, which is dependent on ongoing exploration, positive technical studies, approval of a new ESIA by the Malian authorities, and the availability of project financing.

Identification of functional currencies requires a judgement as to the currency of the primary economic environment in which the companies of the Group operate. This is based on analysis of the economic environments and cash flows of the subsidiaries of the Group.

Disclosure of Outstanding Share Data

As at August 10, 2017, the Company had 380,828,300 issued and outstanding Common Shares. The following provides details on options or rights to purchase Common Shares of the Company as at August 10, 2017.

Avnel's share purchase options that have been issued to employees and contractors consist of:

1. 3,800,000 Employee Long Term Incentive Plan options issued between August 2008 and August 2016 and expiring between August 2018 and August 2026, which can be exercised at a price of between C$0.45 and C$0.60 per option to obtain one Ordinary Share.
2. 5,000,000 Employee Share Performance units issued in 2016 and expiring in 2019, 50% of which will be exchanged one Ordinary Share each if the Company's share price exceeds C$0.50 for 10 consecutive trading days with the remaining 50% of the units being so exchanged on the one-year anniversary of the exchange of the first 50% of the units. Pursuant to the terms of the Avnel Long Term Incentive Plan and the related grants for the Employee Share Performance Units, if the Scheme proceeds the 5,000,000 Employee Share Performance Units will vest automatically, subject to and conditional on the Guernsey Court sanctioning the Scheme, and 5,000,000 Avnel Shares will be issued to the

respective holders of the Employee Share Performance Units immediately prior to the Scheme record time so that they may be exchanged for the Endeavour Share consideration pursuant to the Scheme.

LTIP Options

Date of Grant	Vesting Date	Expiration Date	Exercise Price ($C)	Number Outstanding
August 8, 2008	August 8, 2008	August 6, 2018	0.45	1,500,000
November 15, 2011	November 15, 2011	November 15, 2021	0.60	1,500,000
August 24, 2016	February 24, 2017*	August 24, 2026	0.45	400,000
August 24, 2016	February 24, 2017**	August 24, 2026	0.60	400,000
				3,800,000

* Options are exercisable upon the date following which the ordinary shares of the company reach a twenty day volume-weighted average trading price of C$0.45.

** Options are exercisable upon the date following which the ordinary shares of the company reach a twenty day volume-weighted average trading price of C$0.60.

LTIP Share Performance Units

Date Issued	Type	Date Expiring	Vesting Price (C$)	Number Outstanding
August 10, 2016	Performance units	August 10, 2019	0.50	1,100,000
October 19,2016	Performance units	October 19, 2019	0.50	3,900,000
				5,000,000

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls and Procedures

The Company’s disclosure controls and procedures are designed to provide reasonable assurance that material items requiring disclosure by the Company are identified and reported in a timely manner.

Based on current securities legislation in Canada, management, including the Chief Financial Officer (“CFO”) and Chief Executive Officer (“CEO”) of the Company, evaluated the design and effectiveness of the Company’s disclosure controls and procedures as of December 31, 2016, and concluded that such disclosure controls and procedures were operating effectively at that date. There were no significant changes to the Company’s disclosure controls process during the quarter ended June 30, 2017.

It should be noted that, while the Company’s CFO and CEO believes that the Company’s disclosure controls and procedures provide a reasonable level of assurance and that they are effective, it is not expected that the disclosure controls and procedures can prevent all errors or mistakes. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal controls over financial reporting

Management is responsible for designing, establishing and maintaining a system of internal controls over financial reporting to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities. The Audit Committee fulfils its role of ensuring the integrity of the reported information through its review of the interim and annual financial statements.

Due to the small size of the Company, there are certain aspects of the Company's internal control systems that are not ideal. This is not uncommon in a company the size of Avnel. Due to the limited number of staff at Avnel, it is not feasible or cost effective to achieve complete segregation of duties.

The Company's management, including the CFO, have evaluated the design and effectiveness of internal controls over financial reporting as at December 31, 2016, and have concluded that the Company's internal control over financial reporting was effective during the year 2016.

The Company's management believe that any internal controls over financial reporting, including those systems determined to be effective and no matter how well conceived and operated, have inherent limitations and can provide only reasonable, not absolute, assurance that the objectives of the control system are met with respect to financial statement preparation and presentation. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

There are inherent limitations in the effectiveness of internal controls over financial reporting, including the possibility that misstatements may not be prevented or detected. Accordingly, even effective internal controls over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of internal controls can change with circumstances.

Additional Information

This MD&A has been prepared as of August 10, 2017, and should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes as at and for the six months ended June 30, 2017 that have been prepared in accordance with IAS 34. Additional information about the Company, including the Company's most recent Annual Information Form, is available from the Company's website (www.avnelgold.com) or the website of SEDAR (www.sedar.com).

Non-IFRS Measures

Avnel's unaudited 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 by the Company in accordance with IFRS.

Management uses both IFRS and non-IFRS measures to monitor and assess the operating performance of the Company's operations. Throughout this MD&A, 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 organisations:

"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 Feasibility Study as mine site cash operating costs, which includes costs such as mining, processing, administration, plus transport and refining of metals, stamp duty, and royalties, plus sustaining capital costs, which includes community and environmental. These costs are then divided by the number of ounces of expected production to arrive at "On-site All-in Sustaining Cost per Ounce".

Forward-Looking Statements

This MD&A contains "forward-looking statements" within the meaning of Canadian securities laws that are based on the Company's expectations, estimates and projections regarding its business and the gold market and economic environment in which it operates. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections, and other forward-looking statements will not occur. These assumptions may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Forward-looking statements in this MD&A include, among other things, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, exploration results and budgets, mineral reserve and resource estimates, timelines, strategic plans, including our plans and expectations relating to the development and exploitation of the Kalana Main Project, costs and timing of and availability of financing for the development an open pit mine based on the Feasibility Study, the potential benefits and implementation of the OFS, the availability of project financing, the Company's ability to raise funds, the continued operation of, and production at, the existing Kalana Mine, the completion of transactions, market prices for gold and other statements that are not statements of fact. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Therefore, actual results of the Company could differ materially from those discussed in such forward-looking statements as a result of these risks and uncertainties and readers should not place undue reliance on such statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, where as a result of new information, future events or otherwise, unless required by applicable law.

Technical Information

Except where indicated, the disclosure contained or incorporated into this MD&A of an economic, scientific or technical nature has been summarised or extracted from the NI 43-101 compliant technical report titled "NI43-101 Technical Report on Kalana Main Project", dated effective 30 March 2016, 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.

Information of a scientific or technical nature in this MD&A arising since the date of the Kalana Technical Report has been prepared under the supervision of Mr. Roy Meade, the Company's President, and Dr Olivier Féménias, the Company's Vice-President, Geology, both of whom are non-independent "Qualified Persons".

Mineral resources and mineral reserves reported in this MD&A have been classified within the meaning of the CIM Definition Standards for Mineral Resources and Mineral Reserves (November 2010). Mineral resources may be affected by further infill and exploration drilling that may result in increases or decreases in subsequent resource estimates. Mineral resources may also be affected by subsequent assessments of mining, environmental, processing, permitting, taxation, socio-economic, and other factors. Actual recoveries of mineral products may differ from reported mineral reserves and mineral resources estimates due to inherent uncertainties in acceptable estimating techniques. In particular, inferred mineral resources have a great amount of uncertainty as to their existence, economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category of mineral resource. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into proven and probable mineral reserves.