AVNEL GOLD MINING LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 year ended December 31, 2015. This MD&A should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2015, 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". All amounts are expressed in United States dollars, unless identified otherwise. References to "C$" is to Canadian dollars. The information in this MD&A is provided as of March 30, 2016.

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 that was completed on February 22, 2005. The Company and its consolidated subsidiaries are referred to herein as the "Company" for financial reporting purposes, unless the context requires otherwise.

Fourth Quarter 2015 Highlights:

- Announced an updated Mineral Resource estimate for the Kalana Main Project utilising a $1,100/oz following the completion of a drill program in support of the Definitive Feasibility Study ("DFS").

Full Year 2015 Highlights:

- Commenced a definitive feasibility study for the Kalana Main Project
- Completed a brokered "bought deal" financing for gross proceeds of C$12 million
- Completed a 30,143 m drill program over 181 holes at Kalana Main
- Reported two updated Mineral Resource estimates for the Kalana Main Project
- Completed the requisite baseline field and socio-economic studies for the Kalana Main ESIA
- Commenced and completed the formal Public Participation Process for the Kalana Main ESIA
- Appointed Mr. Roy Meade as President
- Appointed Mr. Andrew King and Mr. Keith McCandlish to Avnel's Board of Directors

Significant Events Subsequent to 2015:

- Submitted a draft ESIA and other associated documentation, including a draft Community Resettlement Action Plan for a portion of the Village of Kalana, to the Malian authorities for the development of the Kalana Main Project
- Announced the results of a positive DFS
- Announced an updated Mineral Resource estimate for the Kalana Main Project utilising a $1,400 per ounce gold price

2016 Outlook

The definitive feasibility study for the Kalana Main Project (the "DFS") is complete and the highlights are summarised below. As a result of completing the DFS, the Company anticipates that the Kalana Main Project will be sufficiently advanced to consider a construction decision during 2016, subject to government approval of the Environmental and Social Impact Assessment ("ESIA") and the associated Environmental and Social Management Plan ("ESMP"), and the availability of project financing.

Discussions with the Malian authorities and community members are well advanced and the Company anticipates receiving approval of the ESIA and ESMP during the second quarter of 2016. The Kalana Exploitation Permit was awarded to Avnel in 2003 with an initial term of 30 years and the only significant government approval required to develop new mines are an ESIA and the associated ESMP.

The ESIA has been prepared to conform to the requirements of the International Finance Corporation's Performance Standards, the World Bank Group's Environmental, Health, and Safety guidelines, and other financial institutions that are signatories to the Equator Principles with the intention of pursuing international mine construction financing. Discussions with interested parties for construction financing have commenced.

The Company intends to pursue international financing for the construction of an open pit mine at Kalana Main and is actively engaged in early discussions with a number of parties in this regard. As a result of these activities, the Kalana Main project is expected to be sufficiently advanced for the Company to consider a construction decision during 2016, subject to approval of the ESIA from the Malian authorities and the availability of project financing.

With respect to operations at the small, Soviet-era, underground Kalana Gold Mine, the Company is forecasting gold production of 8,600 ounces in 2016. Under the prevailing gold price environment, the underground mine is not profitable. 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 workforce prepares to transition to activities related to the construction and operation of the proposed Kalana Main Mine. The Company intends to sustain operations for as long as economically feasible, without incurring any significant capital expenditures, until such a time as the Company is able to evaluate development options for a new open-pit mining operation at Kalana Main.

The directors recognise the continuing requirement for short term funding, for working capital purposes, and in the longer term to build the proposed open pit mine operations of the Company which are dependent upon its ability to raise adequate financing. The directors believe that the required financing will be raised and in conjunction with management are actively pursuing various financing options with the major shareholders and are engaged in ongoing discussions with banks, financial institutions and other mining companies regarding proposals for financing. While these discussions are ongoing, it cannot be guaranteed that such financing will be available on a timely basis or on acceptable terms.

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 and territories of Canada other than Quebec, and its Common Shares are listed for trading on the TSX under the symbol "AVK".

The Company's principal asset is an 80% indirect equity interest in Société d'Exploitation des Mines d'Or De Kalana, S.A. ("SOMIKA"), with the Republic of Mali holding the remaining 20% equity interest, which has free carry and anti-dilution rights. SOMIKA owns and operates the Kalana Gold 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 and was renewed in 2003 for a term of 30 years. This permit is also host to the Kalana Main Project, the Company's flagship development-stage project, plus a number of advanced exploration projects and mineral prospects.

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 discover new mineral deposits.

Kalana Main Definitive Feasibility Study

The Company issued a press release on March 30, 2016 announcing the results of a Feasibility Study on the Kalana Main Project.

The Company is reporting a maiden Mineral Reserve of 1.96 million ounces of gold and an updated Mineral Resource estimate for the Kalana Main project of 3.34 million ounces of gold. The key performance indicators reported in this MD&A is based upon 100% ownership of the Kalana Main Project. All amounts are in United States dollars ("$") unless specified otherwise.

Feasibility Study Highlights

Project Economics (base case gold price of $1,200 per ounce)

- After tax 8% NPV: $196 million
- After tax IRR: 38%
- Payback period: 1.2 years from start of commercial production

Mine Production

1. During first 5 years
    - Average annual production of 148,000 ounces at a total cash cost of $507/oz and an average on-site all-in-sustaining cost ("AISC") of $595/oz
    - Average mill head grade of 3.6g/t Au with gold recovery of 94.6%
    - Average annual throughput of 1.35 million tonnes milled

2. Over 18 year life of mine ("LOM")
    - Total production of 1.82 million ounces with gold recovery of 92.7%
    - Average annual production of 101,000 ounces at a total cash cost of $695/oz and an on-site AISC of $784/oz

Mineral Reserves

Maiden Mineral Reserve declared of 1.96 million ounces:

- 21.0 million tonnes of ore at a grade of 2.80 g/t Au containing 1.92 million ounces declared
- 0.7 million tonnes of existing tailings at a grade of 1.80 g/t Au containing 0.04 million ounces to be hydraulically mined and processed prior to commissioning the new mill

Capital Expenditure

- Initial net capital expenditure of $163 million; gross initial capital expenditure of $196 million (including contingency) and working capital of $8 million offset by $41 million from gold production prior to commercial production
- Sustaining capital expenditure of $123 million

Project Construction Schedule

Key project milestones after start of construction:

- Month 16: Commence pre–strip
- Month 17: Commence processing tails through new carbon-in-leach ("CIL") section of the plant
- Month 22: Commence hot commissioning of mill
- Month 25: Commercial production

Mineral Resources

- Updated March 2016 Mineral Resource for the Kalana Main deposit utilizing a $1,400/oz gold price:
- In situ Measured plus Indicated Resource of 23.0 million tonnes grading 4.14 g/t Au containing 3.06 million ounces at a 0.90 g/t Au cut-off
- In situ Inferred Resource of 1.7 million tonnes grading 4.51 g/t Au containing 0.24 million ounces at a 0.90 g/t Au cut-off
- The diluted (internal and external) Measured plus Indicated Resource of 35.7 million tonnes grading 2.78 g/t Au containing 3.20 million ounces
- Tailings of 0.7 million tonnes at a grade of 1.80 g/t Au containing 0.04 million ounces

Kalana Project

The Kalana Project is owned by Société d'Exploitation des Mines d'Or de Kalana, S.A. ("SOMIKA"). Avnel has an 80% equity interest in SOMIKA and the Malian Government holds a beneficial interest in the remaining 20%, which has anti-dilution and free-carry rights. SOMIKA owns and operates the Kalana Gold Mine, a small, Soviet-era, underground gold mine, and holds the rights to the Kalana

Exploitation Permit, a combined exploitation and exploration permit that is subject to the 1999 Mining Code and is unique in Mali. The permit covers a surface area of 387.4 km^2 and was last renewed in 2003 for a term of 30 years. This permit is host to 29 exploration targets, including the Kalana Main Project, the Company's flagship development-stage project, which is the subject of the DFS.

Kalana Main Definitive Feasibility Study

The DFS 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. The key performance indicators reported in this MD&A are based upon 100% ownership of the Kalana Main Project. The assumptions used in the economic evaluation are set out in Table 1 below and the results of the economic evaluation are summarised in Table 2.

Table 1: Assumptions used in the Economic Evaluation

Economic Assumptions	Unit	Value
Plant Throughput (saprolite)	Mtpa	1.5
Plant Throughput (fresh rock)	Mtpa	1.2
Gold Price	$/oz	1,200
Discount Rate	%	8%
Diesel Fuel Price	$/litre	1.0
Corporate Tax Rate	%	30%
ZAR/USD Exchange Rate	x	15
Refining, Transport, and Insurance Costs	$/oz	4
Stamp Duty on Gold Sale	%	0.6%
Net Smelter Royalty	%	3.0%

Table 2: Summary of Economic Analysis

Financial Summary	Unit	Value
LOM Tonnage Material Mined	kt	228,795
LOM Tonnage Ore Mined	kt	20,999
LOM Tonnage Ore Processed	kt	21,759
LOM Feed Grade Processed	g/t Au	2.80
LOM Gold Recovery	%	93%
LOM Gold Production	Oz Au	1,821,383
Production Period	years	18.0
Pre-production Capital Costs	$M	196
LOM Sustaining Capital Costs (including mine closure and community investment)	$M	123
Pre-Tax 8% NPV	$M	266
Post-Tax 8% NPV	$M	196
Pre-Tax IRR	%	44%
Post-Tax IRR	%	38%
Undiscounted Payback Period	years	1.2

Also included in these after-tax estimates are management 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 turnover (gross revenue) and 2.5% of *brut exploitation excess* (or "EBE", which is equivalent to Earnings Before Interest, Taxes, and Depreciation or "EBITDA") as calculated in accordance with *Le Système Comptable Ouest Africain* ("SYSCOA").

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 Gold Mine to Avnel. Avnel estimates that these amounts to approximately $115 million.

A sensitivity analysis was conducted on the Project model, to evaluate its robustness to variation in performance and financial input parameters. The NPV (at 8% discount rate) and IRR sensitivities are presented in Table 3.

Table 3: NPV and IRR Sensitivities

Scenario	Variation	Post-Tax NPV ($M)	Post-Tax IRR (%)
Base Case	0	196	38%
Recovery Rate	-5%	156	33%
Gold Production	-10%	115	28%
Gold Price	-10%	115	28%
Gold Price	+10%	275	46%
All Operating Costs	+15%	132	32%
All Capital Costs	+10%	172	32%
Gold Recovery & Operating Costs	+5%, +10%	194	39%
Gold Price, Operating Costs & Capital Costs	+5%, +5%, +5%	203	37%
Gold Production, Gold Price & Operating Costs	-5%, +10%, +10%	190	38%

Mining

The DFS' mine plan provides for 18 years of production from the Kalana Main deposit from a single open-pit with 12 stages as shown in Figure 1. A total of 228 million tonnes will be mined with LOM waste-to-ore ratio of 9.9:1 including the pre-strip. Production schedules are included in the appendix.

The deposit contains high grade mineralized zones that will be extracted by selective mining using 5m benches. Bulk mining of the waste zones will be conducted on 10m benches.

The mine area consists of a weathered zone to an average depth of 60m below surface which is amenable to free digging. The mining schedule targets the areas of saprolite that will generate higher cash flow early in the mine life. The pre-strip of six months will provide ore stockpiles to enable higher grade ore to be processed in the early years of the mine life.

Mining will be conducted by the owner whilst maintenance of the open pit mining machinery will initially be carried out by the original equipment manufacturer to ensure fleet availability. The maintenance plan provides for a five-year handover period to the owner after completion of the initial capital purchase of the full fleet component.

As part of the DFS, Snowden examined the impact of a lower gold price of $1,000 per ounce on the mine plan and design schedule and cash flow. At this lower price, the mine plan would allow mining of all the current planned pit stages with the exception of stage 12 (see Figure 1). Stages 1 to 11 contain 60% of the reserve ore tonnes, 65% of the reserve gold ounces but only 54% of the waste tonnes. Approximately 50% of stages 1 to 11 are in the softer saprolite material which is mainly free-dig and requiring limited drilling and blasting.

At the lower gold price the capital expenditure to bring the mine into production would remain as planned with the robust cash flow in the early years providing a similar payback period. Stage 12 mining is scheduled to commence 6 years after start of commercial production. Planned sustaining capital would reduce as mining tonnes would be lower requiring less equipment rebuilds.

Processing

ROM ore will be delivered from the mine to the processing plant, which consists of a conventional two-stage crushing circuit and a single-stage milling circuit to achieve a target grind size of 80% passing 75 microns as presented in in Figure 2 near the end of this MD&A. 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 CIL plant to produce a gold dore via elution, electrowinning, and smelting. Gold is recovered from the loaded carbon in an elution and electrowinning circuit and will be poured into doré bars on site. Life of mine average recovery is projected to be 92.7% (including tailings) 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 absorption circuit with the intention of processing historic tailings from the underground Kalana Gold 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 and then for 3 months during the hot commissioning of the mill. This represents an opportunity to generate pre-commercial production cash flow that will partially offset development capital requirements.

Capital Expenditure

The initial cost to achieve commercial production is estimated to be $196.3 million as shown in Table 4(a).

Major capital items are the processing plant and plant infrastructure, purchase of the mining fleet, construction of the tailings storage facility, initial phases of the resettlement action plan and owners cost.

Revenue, net of costs and taxes, generated by gold production of 53,000 ounces from processing existing gravity tailings and ore during the commissioning of the mill total $41.2 million and will offset the capital expenditure. Working capital is estimated at $8.1 million.

Table 4(a): Capital Costs to Commercial Production

	Units	Value
Processing Plant Cost	$M	93.6
Contingency - Processing Plant	$M	9.5
Open-pit Pre-Strip & Tailings Mining	$M	11.4
Mine Infrastructure	$M	20.7
Mine Site Facilities	$M	4.5
Mobile Fleet & Vehicles	$M	30.3
Owner's Costs	$M	13.2
Other Capital Costs	$M	13.1
Total Capital Costs to Commercial Production	**$M**	**196.3**
Revenue, net of costs and taxes, prior to Commercial Production	$M	(41.2)
Initial Working Capital Costs	$M	8.1
Net Costs to Commercial Production	**$M**	**163.2**

Table 4(b): LOM Sustaining Capital Costs

	Units	Value
Processing Plant - Sustaining	$M	7.9
Mine Infrastructure (incl. stream diversion)	$M	10.4
Mobile Fleet & Vehicles	$M	72.4
Other Sustaining Costs	$M	18.4
Mine Closure	$M	13.9
Total Sustaining Capital Costs	**$M**	**123.0**

Operating Cost

The average production over the first 5 full years of steady-state production is approximately 148,000 recovered ounces per year at a Cash Operating Cost of $460 per ounce. Including refining, transportation and royalties, the Total Cash Cost is $507 per ounce. Including sustaining capital and mine operator fees to be earned by Avnel, on-site AISC are $595 per ounce. A summary of unit operating costs over the first 5 years of steady-state production is presented in Table 5(a).

Table 5(a): Cash Operating Cost for First 5 years of Steady State Production (Year 3 to Year 7)

	$ Per Tonne of Ore	$ Per Ounce of Gold
Mining	29.19	268
Processing	14.73	135
General and Administrative	6.18	57
Cash Operating Cost	**50.10**	**460**
Refining and Transportation Costs	0.44	4
Royalty and Stamp Duty	4.71	43
Total Cash Cost	**55.25**	**507**
Mine Management Fees Payable to Avnel	2.80	26
Sustaining Capital	6.74	62
On-Site AISC	**64.78**	**595**

Over the LOM, average annual production is approximately 101,000 ounces at an average Cash Operating Cost, Total Cash Cost, and on-site AISC of $648 per ounce, $695 per ounce, and $784 per ounce, respectively. A summary of unit operating costs over the LOM is presented in Table 5(b).

Table 5(b): Cash Operating Cost for Life of Mine Production (Year 2 to Year 20)

	$ Per Tonne of Ore	$ Per Ounce of Gold
Mining	31.83	380
Processing	16.25	194
General and Administrative	6.17	74
Cash Operating Cost	**54.26**	**648**
Refining and Transportation Costs	0.33	4
Royalty and Stamp Duty	3.62	43
Total Cash Cost	**58.21**	**695**
Mine Management Fees Payable to Avnel	1.75	21
Sustaining Capital	5.64	67
On-Site AISC	**65.60**	**784**

Kalana Main ESIA

The Kalana Exploitation Permit constitutes a right to mine and a right to explore over the entire 387.4 square kilometers. The only permitting required is the approval of an Environmental and Social Impact Assessment (“ESIA”) for any one or more mines on that permit. The Kalana Main Project, the development of an open pit on top of a Soviet-built underground mine, is a new mine and an ESIA has been completed and submitted to the government for approval together with an associated Environmental and Social Management Plan (“ESMP”). The ESIA has been prepared to conform to the requirements of the International Finance Corporation’s Performance Standards, the World Bank Group’s Environmental, Health, and Safety guidelines, and other financial institutions that are signatories to the Equator Principles with the intention of pursuing international mine construction financing.

The ESIA and ESMP were examined by an inter-ministerial commission chaired by the Ministry of the Environment. The chairman of the commission declared at the close of the hearing that the study has been validated subject to requiring certain limited supplemental information. It is expected that the permit will be issued in the second quarter 2016.

The existing underground mine is in full compliance with all environmental obligations and is audited by the ministry of environment annually. Avnel and SOMIKA have since 2003 been actively involved with the Kalana workforce, organized labour, community elected and traditional leaders and has invested with the community in enhancement projects ranging from Kalana village electrification to schools medical clinics, youth facilities and have actively promoted sports.

Exploration Upside

Although the lateral extents of the Kalana Main deposit have been fairly well defined, the deposit is open for expansion at depth, and there is significant regional exploration potential. Avnel's exploration team has dedicated significant resources to the evaluation of regional exploration prospects outside of the Kalana Main area. This initial work is based upon historical data carried out by others, regional work conducted by Avnel and the IAMGOLD Corporation since 2005, and the Company's ongoing field surveys of active and historical orpaillage. This work, which is ongoing, is intended to prioritise targets for future exploration.

A high-priority exploration project for the Company is the Kalanako deposit, which has the potential to improve the Kalana Main production schedule in the later years of mine life with additional drilling. Kalanako is located 3 km northeast of Kalana Main. Kalanako consists of several sub-parallel northwest – southwest striking mineralised trends that have been established from historical exploration data. The drilling dataset consists of information collected from 30 diamond drill holes totaling 24,928 m and 235 RC drill holes totaling 7,699 m. Two mineralized trends have been established from widely spaced RC drilling and are interpreted to have strike lengths of 250 m to 500 m, are less than 10 m thick, and appear to be steeply dipping based upon field observations and drilling results. The Company believes that the mineralised zones at Kalanako are open for expansion and that additional drilling is warranted. On March 26, 2015, the Company reported a maiden In Situ Mineral Resource for the Kalanako deposit. The Inferred portion is 0.38 million tonnes grading 5.55 g/t Au containing 0.07 million ounces at a cut-off grade of 0.90 g/t Au utilising a gold price assumption of $1,500 per ounce. The Kalanako In Situ Mineral Resource does not include any local estimates for internal or external dilution.

Qualified Persons

The Company will file a *National Instrument 43-101 Standards for Disclosure for Mineral Projects* ("NI 43-101") compliant technical report in support of the DFS on SEDAR within 45 days of the DFS news release. For further information with respect to the key assumptions, parameters, and risks associated with the results of the DFS, the Mineral Resource estimates included therein, and other technical information, please refer to the technical report to be made available on SEDAR.

The following qualified persons, as that term is defined in NI 43-101, have prepared or supervised the preparation of their relevant portions of the technical information described above the related technical report to be filed:

The Mineral Resource estimates reported MD&A were prepared by Mr. Ivor Jones, (BSc. Hons), MSc, FAusIMM, CP Geo., of Denny Jones Pty Ltd., who is an independent Qualified Person as defined under NI 43-101. All Mineral Resources reported have been prepared in accordance with the CIM Standards on Mineral Resources and Reserves, Definitions, and Guidelines. Mr. Jones has reviewed and approved the contents of this MD&A.

Mr. Allan Earl, Associateship in Mining Engineering, FAusIMM of Snowden Mining Industry Consultants is an independent Qualified Person as defined by NI 43-101. Mr. Earl has reviewed and approved the contents of this MD&A.

Mr. Glenn Bezuidenhout, NDT Ex. Met, FSAIMM, Process Director for DRA Projects (Pty) Ltd., is an independent Qualified Person as defined by NI 43-101. Mr. Bezuidenhout has reviewed and approved the technical contents of this MD&A.

Mr. Roy Meade, BSc (Honours) Mining Engineering and Professional Engineer (UK), President of Avnel Gold Mining Limited is a Qualified Person as defined by NI 43-101. Mr. Meade has reviewed and approved the contents of this MD&A.

Dr. Olivier Féménias, MSc, PhD, EurGeol 1115, Vice-President, Geology for Avnel Gold Mining Limited is a Qualified Person as defined by NI 43-101. Dr. Féménias has reviewed and approved the contents of this MD&A.

Kalana Main Environmental and Social Impact Assessment

On January 25, 2016, the Company submitted a draft ESIA and other associated documentation, including a draft Community Resettlement Action Plan for a portion of the Village of Kalana, to the Malian authorities for the development of the Kalana Main Project. The ESIA has been prepared to conform to the requirements of the International Finance Corporation's Performance Standards, the World Bank Group's Environmental, Health, and Safety guidelines, and other financial institutions that are signatories to the Equator Principles with the intention of pursuing international mine construction financing. Discussions with the Malian authorities and community members are well advanced and the Company anticipates receiving approval of the ESIA and the associated ESMP during the second quarter of 2016. The Kalana Exploitation Permit was awarded to Avnel in 2003 with an initial term of 30 years and the only significant government approvals required to develop new mines are an ESIA and the associated ESMP.

Fougadian Project

As of the date of this MD&A, all of the exploration permits that comprise the Fougadian Project have expired. The Company has applied to the Malian Ministry of Mines for the grant of a new consolidated exploration permit that covers an area of 99.8 km^2 and discussions are ongoing. The Fougadian South and Manankoulou permits are eligible for renewal without special dispensation. However, 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

Operations at the small, Soviet-era, underground Kalana Gold Mine were cash flow positive for the year ended December 31, 2015. These results are significantly better than the year ended December 31, 2014. Since the fourth quarter of 2014, operations have benefitted from continued weakness in the local currencies relative to the US dollar, which has contributed to lower than budgeted operating costs. Operations have also benefited from significantly higher than budgeted gold production, which resulted in higher cash flow and lower unit costs than budgeted. Higher than budgeted gold production is attributed to a higher than budgeted head grade of material processed by the mill.

In 2016, the Kalana Gold Mine is scheduled to process approximately 4,400 tonnes of material per month from a mix of underground production and surface stockpiles at an average grade of 6.4 g/t until the end of 2016. Following the cessation of underground mining, the Company plans to process surface stockpiles, which are estimated to contain 2,500 tonnes of material at an average grade of 6.7 g/t Au. As a result, the Kalana Gold Mine is forecast to produce 8,600 ounces in 2016 (an increase from a prior estimate of 7,800 ounces) from a total of 53,000 tonnes of material at an average grade of 6.4 g/t Au with a budgeted metallurgical recovery rate of 78%.

Although operations at the underground Kalana Gold Mine continue to benefit from an 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. 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 workforce transitions to activities related to the construction and operation of the new mine. The Company intends to sustain operations for as long as economically feasible, without incurring any significant capital expenditures, until such a time as the Company is able to evaluate development options for a new open-pit mining operation at Kalana Main.

Review of Malian Fiscal, Economic, and Custom Regime

In Mali, the mining tax regime applicable to the Kalana Project is derived from a combination of mining and tax legislation and contractual mining conventions that establish fiscal, economic, and customs regimes and stability guarantees, such as the Company's 2003 Foundation Agreement with the Republic of Mali, which is summarised in the Company's most recent AIF. The Foundation Agreement itself is governed by Mali's Mining Law (*Ordinance No. 99-032/P-RM* of August 19, 1999 as amended) (the "1999 Mining Code"), which provides for various tax exemptions and provides sovereign protection from adverse changes in the fiscal regime. The application of specific tax provisions and the stability guarantee may be subject to interpretation and in the event of dispute an international arbitration process may be required.

In the Preliminary Economic Assessment ("PEA") for the development of the Kalana Main deposit into a new open-pit, the economic analysis provided for an all-inclusive tax holiday during the construction phase and for three years following the commencement of commercial production with 35% income tax payable in subsequent years. All capital expenditures incurred during the construction period and for three years following the commencement of production were expensed. As a result, no operating losses were carried forward and no provisions were made for the depreciation or amortization of these assets or related prior sunk capital costs. Similarly, no provisions were made for the depletion of the mineral resource and other related prior sunk exploration costs. This was deemed to be a reasonable level of analysis for a PEA as it is, by definition, a preliminary assessment.

As part of the DFS work program, the Company has recently completed a detailed assessment of the fiscal, economic, and customs regime applicable to SOMIKA and the Kalana Main Project with its advisors at a level of analysis reasonable for a DFS. The findings of this assessment is summarised below:

During the construction of the proposed Kalana Main Mine and for three years following commercial production, SOMIKA will be exempt from VAT and certain custom duties related to the project. Following the three-year period from the commencement of commercial production, an 18% valued added tax (the "VAT" or "TVA") will be applicable on goods and services, which is fully recoverable, and a variable customs duty rate will be applicable on imported goods. For the full duration of the validity of its mineral rights, the Company benefits from an exemption from all taxes and duties payable on fuel products dedicated to the power generation for the mine and related social infrastructure with the exception of the 0.5% ECOWAS Community Deduction ("PC") and the 1% WAEMU Community Solidarity Deduction ("PCS") duties. The only petroleum product that the PCS is applicable to is lubricant.

The tax structure in Mali applicable to SOMIKA's operations consists of a general corporate income tax rate of 30% of profits after deductions for expenses and allowable depreciation, which is an improvement over the rate of 35% provided for in the Foundation Agreement. SOMIKA is also subject to a minimum tax rate of 1.0% of net revenue, even in years with a deficit.

However, SOMIKA is entitled to number of deductions to reduce taxable income:

- Amortisation of sunk exploration and research costs during the first three years of commercial production.

- Accelerated depreciation of mine property, plant, and equipment ("PP&E") at effective rates between using an accelerated degressive depreciation method.

- Amortisation and depreciation of most pre-production capital costs that are not fixed PP&E assets, including community development and resettlement expenditures, during the first three years of commercial production.

- Straight-line depreciation of sustaining PP&E capital expenditures over the lesser of 10 years or the assets remaining useful life.

- Carry forward net operating losses (NOLs) for a period of three years following the year incurred.

- Annual provisions for depletion of mineral reserves that is the lesser of 15% of the Net Smelter Return value of production or 50% of the taxable income to encourage exploration spending. Provisioned amounts must be spent within the following three fiscal years or they will subsequently be deemed taxable income.

In addition, Avnel will also benefit from the recovery of existing inter-company loans, accrued interest, and accrued Mine Management and Engineering fees:

Avnel is also entitled to Mine Management and Engineering fees for the operation and construction of the new open-pit mine. As per the Company's Operator Agreement, the Mine Management Fee is calculated as 0.75% of turnover (gross revenue) and 2.5% of *brut exploitation excess* (or "EBE", which is equivalent to Earnings Before Interest, Taxes, and Depreciation or "EBITDA") as calculated in accordance with *Le Système Comptable Ouest Africain* ("SYSCOA").

SOMIKA is subject to two forms of royalties on gold production. The first royalty is a special tax on mining products (Impôt Spécial sur Certains Produits or "ISCP") at a rate of 3% and is calculated on the basis of turnover before tax. The second royalty is a stamp duty on mining products intended for export, which is equivalent to 0.6% of gross revenue. Pursuant to the stability clauses in the Company's Foundation Agreement, the 3% Ad Valorem Net Smelter Return Tax, introduced as part of the 2012 Mining Code, is not applicable to SOMIKA.

With respect to exploration expenditures, the Kalana Exploitation Permit is unique to Mali as it is a combined exploitation and exploration permit. As a result, exploration and research expenditures are exempt from all taxes (including VAT), duties, contributions, or any other direct or indirect taxes, with the exception of employment taxes, social taxes, and mineral tenure fees and royalties.

The March 2016 Mineral Resource Estimate, an updated pit-constrained Mineral Resource for the Kalana Main deposit, as well as the Mineral Resources for the tailings and Kalanako, are presented in Table 6 below:

Table 6: In situ Kalana Mineral Resources[1,2,3,4] (March 2016)

Mineral Resource Classification	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (Moz)
Kalana Main Mineral Resources			
Measured	9.5	4.20	1.28
Indicated	13.5	4.10	1.77
Measured + Indicated	**23.0**	**4.14**	**3.06**
Inferred (Kalana Main)	1.7	4.51	0.24
Additional Mineral Resources			
Indicated (Tailings)	0.7	1.80	0.04
Inferred (Kalanako)	0.4	5.55	0.07

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 – Depletion by production is to September 2015. There has been minor production since September 2015.
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, are reported above a cut-off grade 0.90 g/t Au, and are reported inclusive of the Mineral Reserve.
4 – 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.

Diluted Mineral Resource – Kalana Main

The addition of local dilution resulted in a portion of the model being below the 0.90 g/t Au cut-off grade and excluded from the Mineral Resource. The resultant pit-constrained and diluted Measured and Indicated Mineral Resource above the diluted cut-off grade of 0.90 g/t Au, is estimated at 35.7 million tonnes grading 2.78 g/t Au (diluted) representing 3.20 million ounces as detailed in Table 7:

Table 7: Pit constrained diluted Kalana Mineral Resource (March 2016)

Kalana Main Mineral Resource Diluted Estimate – March 2016 (100% Project Basis Above a Diluted Grade of 0.90 g/t Au)									
	Resource Tonnes (millions)	Resource Grade (g/t Au)	Internal Dilution (%)	External Dilution (%)	Grade Internal Dilution (g/t Au)	Grade External Dilution (g/t Au)	Diluted Tonnes (millions)	Diluted Grade (g/t Au)	Ounces Gold (millions)
Measured Resource	9.5	4.20	21	25	0.40	0.28	14.4	2.89	1.34
Indicated Resource	13.5	4.10	20	32	0.40	0.30	21.4	2.71	1.86
M + I	23.0	4.14	21	29	0.40	0.30	35.7	2.78	3.20

This diluted Kalana Main Measured and Indicated Mineral Resource of 3.20 million ounces, combined with the 40,000 ounces of Indicated Mineral Resource from tailings, forms the basis for the DFS reported in this MD&A.

The September 2015 Mineral Resource Estimate and subsequent March 2016 Mineral Resource have been prepared 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.

Kalana Gold Mine Tailings

The overall tailings estimate is a simple weighted average of the SOGEMORK tailings estimate and the production data from the Kalana Gold Mine since June 2004 and until September 2015. The Tailings Mineral Resource is 0.7 million tonnes at a grade of 1.80 g/t Au containing 0.04 million ounces. The combined tailings Mineral Resource is classified as Indicated and is not reported at a cut-off grade as it is expected to be mined in its entirety.

Mineral Resource Classification

All Mineral Resources are classified as Measured, Indicated, or Inferred in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") *Definition Standards on Mineral Resources and Reserves* prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council. 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 0.90 g/t Au and fall within a Whittle4X evaluation shell that was used to test for the reasonableness of economic extraction. The Whittle4X evaluation shell was prepared using the same modifying factors as those used in the PEA and a $1,400/oz gold price. Investors are cautioned not to assume that all or any portion of the Mineral Resource will ever be converted into a Proven and Probable Mineral Reserve.

Classification was applied based on data quality, confidence in the geological interpretation, grade and geological variability, and confidence in the grade-tonnage estimates. Those parts of the resource model classified as a part of the Mineral Resource exceed a diluted cut-off grade of 0.90 g/t Au and are contained within a Whittle4X evaluation shell that was used to test for the reasonableness of economic extraction. Areas informed by drill data with a maximum spacing of approximately 35m, where the geological and grade continuity have been well established, and were estimated with a minimum of eight samples have been classified as Measured Resource. Areas informed by 25m by 50 m spaced drilling (approximate dimensions), where there is a reasonable level of confidence in the geological and grade estimate, and were estimated with a minimum of eight samples have been classified as Indicated Resource. The small amount of Inferred Resource is the remainder of the Mineral Resource estimate contained within the Whittle shell. Areas where there is no informing data, that contain lower grade material that is outside of the mineralised interpretation, or are not contained within the Whittle shell are not classified as a part of the Mineral Resource.

Mineral Reserve

The Kalana Main Mineral Reserve is a subset of the mineral resources described in the section above. Mineral reserves are estimated using modifying factors estimated to a level of accuracy required for a definitive feasibility study. Mineral reserves are classified in accordance with the CIM's *Definition Standards on Mineral Resources and Reserves* as either Probable or Proven based upon the classification of the corresponding Mineral Resource and Snowden's assessment of the modifying factors. Only the Indicated and Measured portions of the Mineral Resource have been reported in the Mineral Reserve. Neither the Inferred portion of the Mineral Resource or unclassified mineralization have been included in the Mineral Reserve.

The Proven and Probable Mineral Reserve for the Kalana Main open pit is 21.0 million tonnes at an average grade of 2.80 g/t Au containing 1.92 million ounces. The Probable Mineral Reserve for the Kalana Main Tailings is 0.7 million tonnes at an average gold grade of 1.80 g/t Au containing 44,000 ounces. Collectively, the Mineral Reserve for the Kalana Main Project is 21.7 million tonnes at an average grade of 2.80 g/t Au containing 1.96 million ounces. A summary of the Mineral Reserve, by deposit, is presented in Table 8:

Table 8: Kalana Main Project Mineral Reserve[1,2,3] (March 2016)

Deposit	**Classification**	**Tonnes (Mt)**	**Grade (g/t Au)**	**Gold (koz)**
Kalana Main	Proven	5.1	3.00	489
Kalana Main	Probable	15.9	2.80	1,431
Kalana Main	Proven + Probable	21.0	2.80	1,920
Tailings	Probable	0.7	1.80	44
Total Proven and Probable		**21.7**	**2.80**	**1,964**

1 – Mineral reserves are disclosed on a total project basis at 100% 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.
2 – Depletion by production is to September 2015. There has been minor production from underground 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.
4 – Some amounts in this table may not compute due to rounding and truncation.

Only the Measured Mineral Resource in the saprolite material has been classified as a Proven Mineral Reserve. The Measured Resource in the saprock and fresh material has been classified as a Probable Mineral Reserve.

The Mineral Reserve and the DFS rely on the assumption that there is good geological and grade continuity of the mineralisation. Snowden has relied on the interpretation that there is sufficient geological continuity of economic mineralisation in and along-the-vein perspective at a mining scale of 10m by 10m by 5m. This continuity is consistent with observations from the underground Kalana Gold Mine and provides confidence that high recovery of the diluted Mineral Resource may be achieved.

Selected Annual Information (In thousands of U.S. dollars, except per share amounts)

	2015	2014	2013
Total revenue	11,360	12,024	14,574
Total expenses	16,048	19,114	19,294
Other Income/ (expense)	1,840	(3,211)	1,565
Net loss	(2,848)	(10,296)	(3,155)
Net loss from continuing operations attributable to owners of the parent	(1,214)	(8,482)	(1,405)
(Net loss) per share attributable to owners of the parent	($0.004)	($0.038)	($0.007)
Basic weighted average shares outstanding	289,403,275	223,119,693	191,743,724
Balance Sheet			
Working Capital Surplus	8,803	9,817	8,629
Total Assets	27,958	25,930	26,524
Total Non-current liabilities	8,062	8,593	3,004
Shareholders' Equity	32,738	28,072	31,845

Full Year 2015 Results of Operations

Total revenue decreased to $11,360,000 in the twelve months to December 31, 2015 from $12,024,000 in the twelve months to December 31, 2014. The decrease in revenue is primarily a result of an 8% decrease in the realised average sales price of gold from $1,262 per ounce in the twelve months to December 31, 2014 to $1,164 per ounce in the twelve months to December 31, 2015 and a 2% increase in the number of ounces of gold sold relative to the prior year.

Total expenses decreased 16% from $19,114,000 in the twelve months to December 31, 2014 to $16,048,000 in the twelve months to December 31, 2015. The reduction in expenses is attributed to the strengthening of the US dollar relative to the West African CFA franc ("CFA") and the South African rand. Lower mining costs resulting from a reduction in underground mining production and an increase in the processing of surface stockpiles have also contributed to lower operating expenses. Exploration costs expensed was $260,000 in the twelve months to December 31, 2015 compared to $342,000 in the twelve months to December 31, 2014. Operating costs per ounce of gold sold for the twelve months to December 31, 2015 decreased 19% to $1,073 per ounce from $1,325 per ounce in the prior year, which is attributable to lower operating costs in the current period that was partially offset by lower gold sales relative to the comparative period.

Avnel recorded a net loss of $2,848,000 ($0.004 attributable loss per share) for the twelve months ended December 31, 2015 compared to a net loss of $10,296,000 ($0.038 attributable loss per share) in the prior year. Included in the twelve months to December 31, 2015 is a gain on the fair value of derivative financial instruments of $2,166,000, compared to a loss of $2,901,000 in the twelve months of 2014, arising from a change in the fair value of warrants outstanding. Fair value accounting gains and losses reported have no cash effect on the Company.

As compared to the consolidated statement of financial position as at December 31, 2014, Avnel's cash and cash equivalents as at December 31, 2015 decreased by $498,000 to $7,211,000. The reduction is the result of exploration and evaluation expenditures of $6,041,000 and cash used in operations of $2,938,000 that was offset by cash provided by a financing in May 2015 for net proceeds $8,931,000. As at December 31, 2015 the Company had a working capital surplus of

$8,803,000, compared to a working capital surplus of $9,817,000 as at December 31, 2014. Total assets increased from $25,930,000 as at December 31, 2014 to $27,958,000 at December 31, 2015.

Total non-current liabilities reduced from $8,593,000 as at December 31, 2014 to $8,062,000 at December 31, 2015, mainly due to the re-valuation of the warrants issued in May 2015 and in 2014. The fair value of these derivative financial instruments has no cash effect on the Company.

Total stockholders' equity increased to $32,738,000 as at December 31, 2015 from $28,072,000 as at December 31, 2014.

Mining Operations

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

	2015	2014
Tonnes milled:	52,235	49,513
Average grade processed (g/t Au):	7.3	7.4
Recovery rate (%):	79.1	81.2
Gold production (ounces):	9,679	9,548
Cost per tonne milled ($/t):	202	258
Operating cost per ounce of gold sold ($/oz):	1,073	1,325
Operating cost per ounce of gold produced ($/oz):	1,089	1,336

Gold production of 9,679 ounces in the twelve months to December 31, 2015 was 1% higher than the twelve months to December 31, 2014. The small year-over-year increase in production is attributable to a 5% increase in tonnes milled that was partially offset by a 1% decrease in average grade processed. Average gold recovery of 79.1% in 2015 is line with the budgeted rate of 80%, although lower than the 81.2% achieved 2014.

Gold Sales

Gold sales data is as follows:

		2015	2014
Gold ounces sold	- at spot price	9,738	9,504
Average realised gold price per ounce	- at spot price	1,164	1,262
Metal revenue - $000			
Total gold sales		11,336	11,998
Silver sales		24	26
Metal revenue		11,360	12,024

Gold spot prices commenced in 2015 at $1,172 per ounce and ended at December 31 2015 at $1,060 per ounce, with the London PM Fix averaging $1,160 per ounce during the twelve months to December 31 2015.

Interim Consolidated Statement of Operations for the Quarters Ended

Quarter ended (US$'000 except per share amounts)	Dec 31 2015	Sept 30 2015	June 30 2015	Mar 31 2015	Dec 31 2014	Sept 30 2014	June 30 2014	Mar 31 2014
Total revenue	2,614	2,280	3,379	3,087	3,722	2,709	2,809	2,784
Net (loss)/profit from continuing operations	(1,267)	825	(2,273)	(133)	(2,948)	(3,079)	(2,100)	(2,169)
Net (loss)/profit from continuing operations attributable to ordinary equity holders of the parent	(792)	1,352	(1,860)	86	(2,922)	(2,304)	(1,572)	(1,684)
Net (loss)/profit per share from continuing operations attributable to ordinary equity holders of the parent	($0.004)	$0.004	($0.006)	$0.000	($0.011)	($0.009)	($0.008)	($0.009)

Fourth Quarter Results

Total revenue reduced 30% to $2,614,000 in the quarter to December 31, 2015 from $3,722,000 in the quarter to December 31, 2014, which is attributed to an decrease in gold sales from 3,104 ounces in the quarter to December 31, 2014 to 2,362 ounces in the quarter to December 31, 2015 together with a reduction in the realised average sales price of gold from $1,197 per ounce in the quarter to December 31, 2014 to $1,104 per ounce in the quarter to December 31, 2015.

Total expenses reduced 17% from $4,829,000 in the quarter to December 31, 2014 to $4,014,000 in the quarter to December 30, 2015. Operating costs per ounce of gold sold for the quarter to December 31, 2015 increased from $911 per ounce to $938 per ounce arising mainly from lower production.

Avnel recorded a net loss of $1,267,000 ($0.004 attributable loss per share) for the quarter to December 31, 2015, compared to a net loss of $2,948,000 ($0.011 attributable loss per share) in the comparative period in 2014. Included in the quarter to December 31, 2015 is a profit on the fair value of derivative financial instruments of $269,000, compared to a loss of $2,182,000 in the quarter to December 31, 2014, arising from the fair value of warrants. The fair value accounting losses reported have no cash effect on the Company.

Avnel's cash and cash equivalents reduced by $1,964,000 in the quarter to December 31, 2015 from $9,175,000 to $7,211,000, mainly arising from exploration and evaluation asset expenditures.

Liquidity, Capital Resources and Going Concern

These 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 December 31, 2015 the Group had net current assets of $8,704,000 including a cash balance of $7,211,000. As discussed below, the Company needs to raise further funds in the second half of 2016 in order to satisfy short-term working capital needs and will also focus on securing the longer term project financing required to develop the Kalana Main project.

On March 30, 2016 the Company announced the results of the Definitive Feasibility Study ("DFS") for the Kalana Main project together with an updated Mineral Resource Estimate ("MRE") prepared by Snowden and Denny Jones. The economic results of the DFS show post tax NPV of S196.0m discounted at 8% at a gold price of $1,200 per ounce. The MRE, based on a 0.9g/t cut-off grade and utilising a $1,400/oz gold price, shows in–situ measured and indicated resources of 23.0m tonnes at a grade of 4.14g/t resulting in contained gold of 3.06m ounces and inferred resources of 1.70m tonnes at a grade of 4.51g/t resulting in 0.24m ounces of contained gold.

In parallel with the DFS, the Company has prepared a new Environmental and Social Impact Assessment ("ESIA") and expects to receive approval of the ESIA and a new Environmental and Mining Permit in the second quarter of 2016. Upon filing the NI 43-101 technical report, the Company intends to pursue international financing for the construction of an open pit mine at Kalana Main and is actively engaged in early discussions with a number of parties in this regard. As a result of these activities, the Kalana Main project is expected to be sufficiently advanced for the Company to consider a construction decision during 2016, subject to approval of the ESIA from the Malian authorities and the availability of project financing.

Supported by the results of the DFS, the directors consider 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 raise adequate financing 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 for further funds to be raised 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.

The directors believe that the required financing will be raised and in conjunction with management are actively pursuing various financing options with the major shareholders and are engaged in ongoing discussions with banks, financial institutions and other mining companies regarding proposals for financing. While these discussions are ongoing, it cannot be guaranteed that such financing will be secured, or be available on a timely basis or on acceptable terms. The directors have reasonable expectations that these financing discussions will be successful and therefore the consolidated financial statements have been presented on the basis that the Company is a going concern. The 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 consolidated financial statements.

Financing – Use of Proceeds

During the quarter ended June 30, 2015, the Company completed a brokered "bought deal" equity financing, which closed on May 7, 2015, by way of a short form prospectus, raising net proceeds of $8.9 million. The following table details how the net proceeds of the financing have been used up to December 31, 2015, compared to the anticipated use of the net proceeds set out in the short form prospectus:

Net Use of Proceeds US$, millions	Prospectus	Actual to Dec 31, 2015
Definitive Feasibility Study and Drilling	5.2	4.8
Exploration Programs	1.2	0.3
Corporate Costs and Working Capital	2.5	2.5
Total	**8.9**	**7.6**

The allocation of the net proceeds of the financing may be adjusted within the stated categories of expenditures above depending on, among other things, timing of receipt of required government approvals, availability of equipment and services, and general political and market conditions. Further, while the Company intends to use the remaining $1.3 million of the net proceeds as stated above, there may be circumstances that are not known at this time where management believes a reallocation of the remaining net proceeds are in the Company's best interest.

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 December 31, 2015 was $16,907,000 and at December 31, 2014 was $13,678,000. 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 December 31, 2015, management assessed indicators of impairment of the carrying value of the Company's 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 amounts of mining 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 contractual obligations as at December 31, 2015:

Contractual Obligations - $000	Total	Less than1 year	1-3 years	4-5 years	After5 years
Operating Leases [1,2]	96	72	24	-	-
Total Contractual Obligations	**96**	**72**	**24**	**-**	**-**

Notes:

(1) The Company has entered into operating leases for office space and equipment with a company related to the Fern Trust, a significant shareholder of the Company, as defined by the Toronto Stock Exchange ("TSX"). Pursuant to these leases, which expire in June 2016, future minimum payments amount to $72,000 up until the end of the lease.

(2) The Company has entered into an operating lease for an office building in Bamako, Mali. The lease expires in June 2017, future minimum payments amount to $24,000.

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, alleging payment of interest and fees, (which is disputed), withholding tax on foreign suppliers and VAT exemption. Management believes strongly that the majority of the tax claims are unfounded and have taken external advice. Management responded to the inspector in December 2013 contesting the claim and held a working clarification meeting in January 2014. A reassessment was received on July 14, 2014 for $6.5 million that does not give rise to an obligation to pay. On July 16, 2014, the Company sent a letter disputing the reassessment to the tax authorities and discussions continued in 2015. The tax audit of SOMIKA for the years ended 2012, 2013 and 2014 commenced in December 2015.

Related Party Transactions

SOMIKA purchases explosives from African Explosives Limited ("AEL"). Mr. Ibrahim Kantao is a director of Avnel, SOMIKA and AEL and is also the Director-General of AEL Mali SARL, a subsidiary of AEL. Such purchases amounted to $357,000 in the year ended December 31, 2015, compared to $609,000 in the year to December 31, 2014. 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 $150,000 in rental costs during the year ended December 31, 2015, compared to $159,000 in the year to December 31, 2014. The Company's lease expires in June 2016.

The Company has a contract with DMT Geosciences Ltd. ("DMT") as consultants for the Kalana Main DFS. Consulting costs of $8,400 were charged in the year to December 31, 2015 (2014: $14,000). Mr.

Keith McCandlish, who became a member of Avnel's Board on March 30, 2015, is the Managing Director of DMT.

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 Annual Information Form dated March 31, 2016 (the "AIF"), which section is incorporated by reference into and forms an integral part of this MD&A. A copy of the AIF can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Going Concern

Supported by the results of the DFS results 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 financing and that funding will be required in the short term for both working capital and for financing in the longer term to build the proposed open-pit mine at Kalana. The directors recognise that this represents a material uncertainty which may cast significant doubt about the Group'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 that 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 due to a recent outbreak of the Ebola virus has occurred, which appears to be contained. There is a risk that the Ebola virus may impact the mine'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 to contain the outbreak.

Gold Prices

The Company also faces risk in respect of its exposure to the market price of gold, which is subject to significant fluctuation and are affected by a number of factors that 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 US dollar and foreign currencies, global and regional supply and demand, and political and economic conditions. The prices of precious and base metals are cyclical and have experienced significant volatility in the past 10 years. The price of gold is near a 5-year low in US dollar terms and further price declines could cause continued development of and commercial production from our properties to be uneconomic.

Foreign Exchange Risk/Gold Hedging
All gold revenues and a portion of operating costs are in US 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 has not hedged its foreign exchange risk relating to its non-US dollar expenses to date.

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 that could 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 currently 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. The Company complies with all environmental obligations and the Government of Mali has absolved the Company of all environmental liabilities created prior to 2003.

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 that are unknown to Avnel at present and which have been caused by previous or existing owners or operators of the properties. The Company complies with all environmental obligations and the Government of Mali has absolved the Company of all environmental liabilities created prior to 2003.

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 consolidated financial statements of the Company for the year ended December 31, 2015, 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 consolidated financial statements.

The consolidated financial statements have been presented on the basis that the Company is a going concern. Accordingly, the 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 proven and probable reserves. 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 carrying value of the Company's estimate of mineral resource has been estimated as at 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 in effect when the liability is incurred. 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 of $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.

Transactions expressed in foreign currencies are translated into US dollars at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities expressed in foreign currencies are re-converted into US dollars at the rates of exchange prevailing on the balance sheet date.

The financial statements of overseas subsidiaries are remeasured into their functional currency. Mining properties and other non-current assets are remeasured at historical rates. Monetary assets and liabilities are remeasured at current rates. Revenue and expense transactions are remeasured at the average rate for the period. Remeasurement gains and losses are included in income.

Disclosure of Outstanding Share Data

As at March 30, 2016, the Company had 304,330,124 issued and outstanding Common Shares. The following provides details on options or rights to purchase Common Shares of the Company as at March 30, 2016.

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

(a) 2,500,000 amended CEO options issued on February 23, 2005, which can be exercised at a price of $0.275 per option to purchase one common share of Avnel, expiring on February 23, 2023; and

(b) 5,805,000 Employee Long Term Incentive Plan options issued between August 2005 and May 2015, which can be exercised at a price of between C$0.20 and C$0.60 per option to obtain one common share of Avnel, expiring between December 2016 and March 2023:

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
January 1, 2011	January 1, 2011	December 31, 2016	0.35	170,000
January 1, 2011	January 1, 2012	December 31, 2016	0.35	170,000
January 1, 2011	January 1, 2013	December 31, 2016	0.35	160,000
November 15, 2011	November 15, 2011	November 15, 2021	0.60	1,500,000
March 25, 2013	March 25, 2013	March 25, 2023	0.35	50,000
September 5, 2014	September 5, 2014	September 5, 2019	0.25	300,000
September 5, 2014	September 5, 2014	September 5, 2019	0.20	920,000
September 5, 2014	September 5, 2015	September 5, 2019	0.20	245,000
September 5, 2014	September 5, 2016	September 5, 2019	0.20	120,000
				5,135,000

Warrants and Compensation Options

The following table shows the number of warrants (and similar instruments) to purchase Common Shares of the Company as at March 30, 2016:

Date Issued	Type	Date Expiring	Exercise Price (C$)	Number Outstanding
July 17, 2014*	Warrants	January 17, 2017	0.20	67,586,400
July 17, 2014	Broker Compensation Options	July 17, 2017	0.15	1,222,776
July 17, 2014	Broker Warrants	January 17, 2017	0.20	810,000
July 17, 2014	Broker Compensation Units	July 17, 2016	0.15	810,000
Sept 18. 2014	Warrants	Sept. 18, 2016	0.25	2,000,000
May 7, 2015	Warrants	May 7, 2017	0.40	21,450,000
May 7, 2015	Broker warrants	May 7, 2017	0.27	2,378,000
				96,257,176

* The warrants issued on July 17, 2014, entitle the holder to purchase one ordinary share in the capital of the Company at a price of C$0.20, at any time for a period of 30 months from the date of issue. However, in the event that the ordinary shares trade on the TSX, or other recognised stock exchange or market, as applicable, at a volume-weighted average price of C$0.30 or more for a

period of at least 20 consecutive trading days, the Company shall be entitled to accelerate the exercise period to a period ending at least 30 days from the date that notice of such acceleration is provided to the holders of warrants.

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, 2015, 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 year ended December 31, 2015.

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 fulfills its responsibilities. The Audit Committee fulfills 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 limitations on the Company's internal control systems, which 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 and CEO, have evaluated the design and effectiveness of internal controls over financial reporting as at December 31, 2015, and have concluded that the Company's internal controls over financial reporting were effective during the year 2015.

The Company's management believes 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 March 30, 2016 and should be read in conjunction with the audited consolidated financial statements and related notes as at and for the year ended December 31, 2015 that have been prepared in accordance with IFRS. 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 audited 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 DFS 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, 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 preliminary economic assessment of the Kalana Main Project, the completion of the Definitive Feasibility Study on the Kalana Main Project, the approval of the ESIA, the availability of project financing, the Company's ability to raise funds, the continued operation of, and production at, the existing Kalana Gold 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 DFS and the *National Instrument 43*-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") compliant technical report titled "NI 43-101 Technical Report - Kalana Project Mineral Resource Estimates and Definitive Feasibility Study", dated effective 1 March 2016 (the "Kalana Technical Report"), prepared by Snowden Mining Industry Consultants Pty Ltd. ("Snowden"). The DFS was prepared under the supervision of Mr. Allan Earl, Executive Consultant of Snowden, Mr. Ivor W.O. Jones, Principal of Denny Jones Pty Ltd ("Denny Jones"), and Mr. Glenn Bezuidenhout of DRA Projects (Pty) Ltd. ("DRA"). Mr. Allan Earl, Mr. Ivor W.O. Jones, and Mr. Glenn Bezuidenhout are independent "Qualified Persons". Readers should consult the Kalana Technical Report to obtain further particulars regarding the Kalana Project, which contains the Kalana Main Project (as defined herein), the underground Kalana Gold Mine (as defined herein), plus a number of mineral exploration prospects. The Kalana

Technical Report, which constitutes the current technical report for the Kalana Project, will be filed on SEDAR within 45 days this AIF. Information of a scientific or technical nature in this MD&A arising since the date of the Kalana Technical Report have 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" as such term is defined in NI 43-101.

Readers are cautioned that the summary of technical information in this MD&A should be read in the context of the qualifying statements, procedures and accompanying discussion within the complete Kalana Technical Report and the summary provided herein is qualified in its entirety by the Kalana Technical Report. Capitalized and abbreviated terms appearing in the following summary and not otherwise defined herein shall have the meaning ascribed to such terms in the Kalana Technical Report.

Mineral resources reported in this AIF 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.