



AVNEL GOLD MINING LIMITED

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2014

MARCH 31, 2015

AVNEL GOLD MINING LIMITED

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**ANNUAL INFORMATION FORM
("AIF")**

**AVNEL GOLD MINING LIMITED
("Avnel" or the "Company")**

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This AIF contains forward-looking statements, as such term is defined under the applicable Canadian Securities laws, which may include, but is not limited to, with respect to the future financial or operating performances of the Company, its subsidiaries and their respective projects, and other matters. All statements other than statements of historical fact included in this AIF, including, without limitation, statements regarding the future price of gold, the estimation of Mineral Reserves and Mineral Resources, the realisation of Mineral Reserve estimates, the timing and amount of estimated future production, estimated costs of future production, capital, operating and exploration expenditures, costs and timing of the development an open pit mine based on the preliminary economic assessment of the Kalana Main Project (as defined herein), the completion of a Definitive Feasibility Study on the Kalana Main Project (as defined herein) and the continued operation of, and production at, the existing Kalana Gold Mine (as defined herein), costs and timing of future exploration, requirements for additional capital, government regulation of exploration, development and mining operations, environmental risks, reclamation and rehabilitation expenses, title disputes or claims, and limitations of insurance coverage. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "is expecting", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "continues", or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. The purpose of forward-looking information is to provide the reader with information about management's expectations and plans for 2015. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, those factors discussed in the section entitled "Risk Factors" in this AIF. Although the Company has attempted to identify statements containing important factors that could cause actual actions, event or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is made as of the date of this AIF based on the opinions and estimates of management on the date statements containing such forward looking information are made, and the Company disclaims any obligation to update any forward-looking statements or forward-looking information, whether as a result of new information, estimates or opinions, future events or results or otherwise or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information and statements.

Unless otherwise indicated, the information in this AIF is current as of March 31, 2015.

GLOSSARY OF TECHNICAL TERMS

In this AIF, unless otherwise defined or unless there is something in the subject matter or context inconsistent therewith, the following terms have the meanings set forth herein or therein:

“AC” means Air Core, a style of drilling typically used in soil and soft rock.

“alluvial” relates to deposits of natural geological materials made by flowing water, washed away from one place and deposited in another.

“anomaly” means a local feature distinguishable in a geophysical or geochemical measurement over a larger area, of which said feature is considered capable of being associated with commercially valuable mineral deposits.

“assay” means an analysis to determine the presence, absence, and quantity of one or more metallic components.

“Au” is the chemical symbol for gold.

“Total Cash Cost” is calculated in accordance with the Gold Institute Standard wherein cash cost equals the sum of cash operating costs inclusive of production-based taxes and management fees and may include certain cash costs incurred in prior period such as stockpiling and stripping costs and may exclude certain cash costs incurred in the current period that relate to future production.

“cut-off” means the grade above which mineralised material may be considered to be ore.

“CIM” means Canadian Institute of Mining, Metallurgy and Petroleum.

“CRM” means certified reference material.

“diorite” means a medium to coarse grained igneous rock consisting essentially of plagioclase (feldspar) with hornblende and small amounts of quartz (10%).

“dolerite” means a medium to fine grained basic intrusive rock composed mostly of pyroxenes and sodium-calcium feldspar.

“duplicate” means a sample that has been split from another to check the field sampling or laboratory's precision.

“emplaced” means the intrusion of a body of igneous rock within another rock.

“en-echelon” means parallel or sub-parallel, closely-spaced, overlapping or step-like minor structural features in rock, such as veins and tension fractures that are oblique to the overall structural trend.

“FA” means Fire Assay.

“fault” is a geological term that refers to a fracture or zone of fractures in the earth's crust along which the rock units on each side of the fracture have moved relative to one another.

“feasibility study” means a comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.

“felsic” means light coloured rock containing an abundance of any of the following: feldspars, feldspathoids and silica.

“fluvial” means an environment of deposition by a river.

“fresh rock” means rock that has not undergone any weathering.

“footwall” is the underlying side of a fault, ore body or mine, especially the wall rock beneath an inclined vein or fault.

“g” means grams.

“g/t” means grams per tonne of material, which is equivalent to 1 ppm.

“g/t Au” means grams of gold per tonne of material

“geochemical” means trace quantities of elements of a certain area.

“geophysical surveys” means studies conducted to measure the physical characteristics of a certain area.

“grade” is a term used to indicate the concentration of an economically desirable mineral or element in its host rock as a function of its relative mass. With gold, this term may be expressed as grams per tonne (g/t) or ounces per tonne (opt).

“granodiorite” means a medium to coarse grained igneous rock consisting essentially of quartz (20% to 40%), plagioclase (feldspar) and hornblende or biotite.

“graphitic” means the rock contains or is derived from graphite, a soft form of carbon.

“IFRS” means International Financial Reporting Standards, the accounting principles used by the Company.

“Indicated Mineral Resource” is that part of a Mineral Resource for which quantity and grade or quality, densities, shape, and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit.

“Inferred Mineral Resource” is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity.

“intercalations” means the intrusion or alternation of a rock layer within other rock layers.

"kg" means kilograms.

"kg/m" means kilograms per metre.

"km" means kilometres.

"km²" means square kilometres.

"kW/h" means kilowatts per hour.

"lateritic" means highly weathered red subsoil or material rich in secondary oxides of iron, aluminium, or both, nearly devoid of bases and primary silicates, and commonly associated with quartz and kaolinite.

"leach" is the dissolution of soluble constituents from a rock or ore body by the natural or artificial action of percolating solutions.

"lithology" means that branch of geology that deals with the classification of geological units into chronologic order.

"lithologies" means the rock types present in a stratigraphic sub-division.

"m" means metres.

"metasediments" means sedimentary rocks altered by heat, pressure or chemically active fluids.

"mineralisation" refers to the presence of a mineral of economic interest in a rock.

"Measured Mineral Resource" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that it can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit.

"Mineral Reserve" is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. The study must include adequate information on mining, processing, metallurgical, economics and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that occur when the material is mined and processed.

"Mineral Resource" is a concentration or occurrence of natural, solid, inorganic or fossilised organic material in or on the earth's crust in such form and quantity and of such grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. The term "Mineral Resource" covers mineralisation and natural material of intrinsic economic interest which has been identified and estimated through exploration and sampling and within which Mineral Reserves may subsequently be defined by the consideration and application of technical, economic, legal, environmental, socio-economic and governmental factors. The phrase "reasonable prospects for economic extraction" implies a

judgment by the Qualified Person in respect of the technical and economic factors likely to influence the prospect of economic extraction. A Mineral Resource is an inventory of mineralisation that under realistically assumed and justifiable technical and economic conditions might become economically extractable. The term "Mineral Resource" used in this AIF is a Canadian mining term as defined in accordance with NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") *Standards on Mineral Resource and Mineral Reserves Definitions* and guidelines adopted by the CIM Council on August 20, 2000 (the "CIM Standards").

"NI 43-101" means *National Instrument 43-101 – Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators*.

"NSR" means Net Smelter Return royalty, consisting of a payment made by a producer of metals based on the value of the gross metal production from the property, less deduction of certain limited costs including, but not necessarily limited to, smelting, refining, transportation and insurance costs.

"open pit" means a surface working pit open to daylight, such as a quarry.

"ore" means a natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit, or from which some part may be profitably separated.

"orpillage" is a term for artisanal mines.

"ounce" or **"oz"** is a measure of weight for precious metals, correctly troy ounces, which weigh approximately 31.1 grams

"placers" mean deposits of sand or gravel that contain particles of gold or other heavy minerals of value. The common types are stream gravels and beach sands.

"ppb" means parts per billion.

"ppm" means parts per million.

"Probable Mineral Reserve" means the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

"Proven Mineral Reserve" means the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

"pyrite" means iron sulphide (FeS₂) mineral.

"Qualified Person" or **"Qualified Persons"** has the meaning given to such term in NI 43-101

"QA/QC" means quality assurance / quality control

"RC" means Reverse Circulation, a style of drilling which yields rock chips rather than a core.

"regolith" means the loose incoherent mantle of rock fragments, soil and blown sand that is generated by the process of weathering and erosion which rests on solid rock.

"ROM" means Run of Mine, ore bearing rock directly derived from the mining process.

"sample" means a small amount of material that is supposed to be typical or representative of the object being sampled.

"saprock" means rock that is in the transitional zone between saprolite and fresh rock.

"saprolite" means the soft, earthy, typically clay-rich, thoroughly decomposed rock, formed in place by chemical weathering of igneous, sedimentary, and metamorphic rocks. It may form a layer or cover as much as 100m thick. It is one of the recognised units of the weathering profile of West Africa.

"sedimentary" means a rock formed from cemented or compacted sediments.

"sediments" means the debris resulting from the weathering and break-up of pre-existing rocks.

"splay" means the branching of a vein or fault.

"stockwork" mean mineral deposits consisting of a three-dimensional network of planar to irregular veinlets closely enough spaced that the whole mass can be mined.

"stratigraphies" means rock strata that can be correlated and classified into units based on age and their environment of formation.

"strike" is a geological term which refers to the compass direction along which the plane of a layered rock unit or fault intersects the horizontal.

"t" means tonnes.

"tpd" means tonnes per day.

"tailings" means the material that remains after recoverable metals or minerals of economic interest have been removed from ore through milling.

"Technical Report" means a report prepared by a qualified person in terms of *National Instrument 43-101 Standards for Disclosure for Mineral Projects*.

"tonne" means a metric tonne, being 1,000 kilograms (2,204 pounds).

"Mtpa" means millions of tonnes per annum.

REPORTING CURRENCY

All dollar amounts in this AIF are expressed in United States dollars (“\$”), unless stated otherwise. References to “C\$” are to Canadian dollars.

TECHNICAL INFORMATION

Except where indicated, the disclosure contained or incorporated into this AIF of an economic, scientific or technical nature, has been summarised or extracted from the *National Instrument 43-101 – Standards of Disclosure for Mineral Projects* (“NI 43-101”) compliant technical report titled “Kalana Mineral Resource Estimate and Preliminary Economic Assessment – Mali, NI 43-101 Technical Report” dated effective 31 March 2014 (the “Kalana Technical Report”), prepared by Snowden Mining Industry Consultants Pty Ltd. (“Snowden”). The Kalana Technical Report was prepared by Mr. Allan Earl, Executive Consultant, and Mr. Ivor W.O. Jones, Executive Consultant, both of Snowden at that time. Both Mr. Allan Earl and Mr. Ivor W.O. Jones 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, the Kalana Main Project, and the underground Kalana Gold Mine. The Kalana Technical Report, which constitutes the current technical report for the Kalana Main Project, was filed on SEDAR on March 31, 2014 and is available for review at www.SEDAR.com.

Information of an economic, scientific, or technical nature in this AIF regarding the September 2014 Mineral Resource estimate (the “September 2014 MRE”), as defined below, and the March 2015 Mineral Resource estimates (the “March 2015 MRE”), as defined below, is summarised or extracted from reports prepared by Denny Jones Pty Ltd (“Denny Jones”). The September 2014 MRE and the March 2015 MRE were prepared by Ivor W.O. Jones, Principal Consultant, at Denny Jones.

The 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). The Mineral Resource may be affected by further infill and exploration drilling that may result in increases or decreases in subsequent resource estimates. The Mineral Resource may also be affected by subsequent assessments of mining, environmental, processing, permitting, taxation, socio-economic, and other factors. Grade has been estimated using Multiple Indicator Kriging (“MIK”). 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.

Unless stated otherwise, all Mineral Resources reported in this AIF are classified as Indicated or Inferred Mineral 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 CIM Council.

Information of a scientific or technical nature in this AIF arising since the date of the Kalana Technical Report, excluding the September 2014 MRE and March 2015 MRE, has been prepared under the supervision of Mr. Roy Meade, the Company's President and Dr. Olivier Femenias, the Company's Vice-President, Geology, both of whom are non-independent "Qualified Persons" as such term is defined in NI 43-101.

CORPORATE STRUCTURE

Name and Incorporation

Avnel was incorporated under The Companies (Guernsey) Laws 1994 to 2001 (the "Guernsey Act") on February 18, 2005. The Company's registered and records office is located at Legis House, 11 New Street, St. Peter Port, Guernsey, Channel Islands, GY1 2PF. The Company also has a representative office at 39 Cheval Place, London, United Kingdom, SW7 1EW. Subsidiaries of the Company maintain corporate offices in London, UK and Bamako, Mali. Unless the context otherwise requires, the term "Company" means Avnel, together with its subsidiaries.

Intercorporate Relationships

Avnel (as amended) was established for the purpose of becoming the holding company for, and to carry on the business of, Avnel Gold, Limited ("Avnel Cayman"), a corporation incorporated under the laws of the Cayman Islands, pursuant to a reorganization completed on February 22, 2005. The principal asset of Avnel Cayman is an 80% equity interest in Société d'Exploitation des Mines d'Or de Kalana, S.A. ("SOMIKA"). The Malian Government holds a beneficial interest in the remaining 20% of SOMIKA which carries with it anti-dilution and free-carry rights.

SOMIKA owns and operates a small, Soviet-era, underground gold mine located in the southwest of Mali (the "Kalana Gold Mine"), and hold rights to the Kalana exploration and exploitation permit (the "Kalana Exploitation Permit"). Kalana Mine Services Limited ("Kalana Mine Services"), a London-based, wholly owned subsidiary of Avnel Cayman, provides procurement, recruitment, and accounting services to SOMIKA. Kalana Mine Services also provides purchasing, facilitation, expediting services, and technical assistance to SOMIKA at cost plus a fee of 7.5%

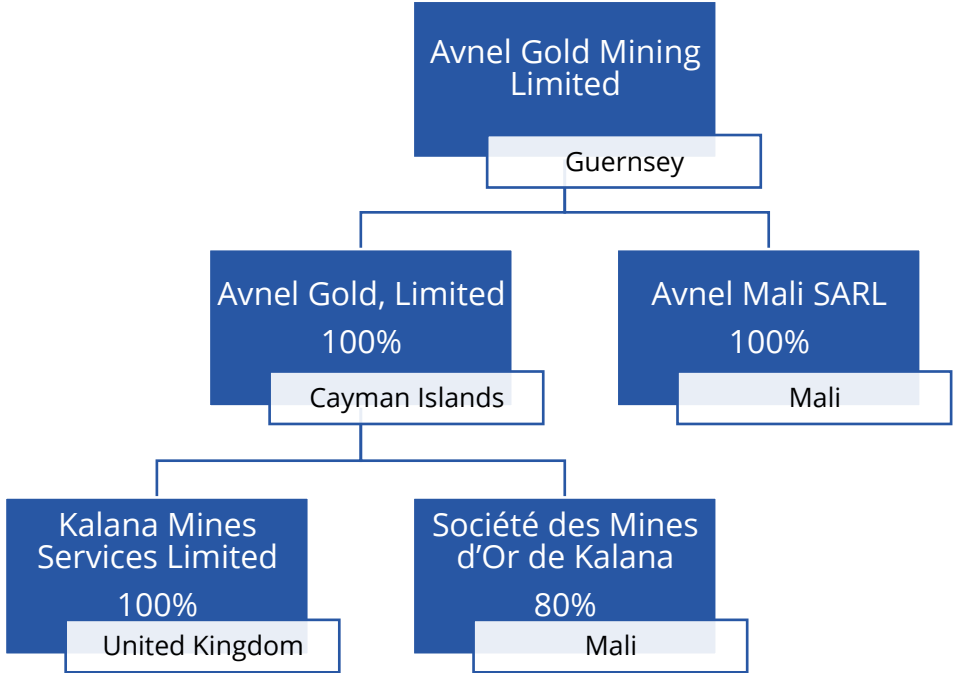
Avnel Mali SARL ("Avnel Mali") is Avnel's corporate representative entity in Mali. Avnel Mali has an interest in certain exploration permits that are located to the south of Kalana Exploitation Permit. For additional information, please consult the section titled "The Fougadian Project".

The Company's head office is in Guernsey and its business in Mali is carried on through wholly-owned or majority-owned, indirectly held subsidiaries in each of Mali, the United Kingdom and the Cayman Islands. The Cayman Islands has experienced political and economic stability for many years and its legal system is based on the British common law system. Its banking system and standards for professional services are comparable to those in North America and the United Kingdom, at lower operating costs.

Each of these subsidiaries maintains local offices, where corporate minute books and other books and records are maintained. The Board of Directors of the Company has effective control over its subsidiaries in Mali, the United Kingdom and the Cayman Islands and their respective assets,

including bank accounts, through its respective 80% or 100% indirect ownership of these entities. In addition, as the sole controlling shareholder, the Company has the ability to appoint, direct, supervise, and remove all officers and directors of its subsidiaries with the exception of SOMIKA. With respect to SOMIKA, Avnel appoints five directors and the State of Mali appoints two directors.

As at the date of this AIF, the following diagram illustrates the intercorporate relationships between the Company and its material subsidiaries, their jurisdiction of incorporation or organization, and the Company's respective percentage ownership of each subsidiary:



For additional information regarding the Company and its business in Mali, please consult the section titled "Narrative Description of the Business - Selected Disclosure Regarding the Company and its Business in Mali".

GENERAL DEVELOPMENT OF THE BUSINESS

Avnel is a mining company engaged in the exploration, mining, and extraction of precious metals, mainly gold. Avnel's principal asset is an 80% equity interest in SOMIKA. The Malian Government holds a beneficial interest in the remaining 20% of SOMIKA that carries with it anti-dilution rights.

SOMIKA is the owner of the Kalana Gold Mine and is the holder of the Kalana Permit. Kalana Mine Services is a wholly owned subsidiary of the Company that provides management services to SOMIKA in respect of all aspects of the operation of the Kalana Gold Mine and exploration of the Kalana Exploitation Permit. The Company has operated the Kalana Gold Mine since 2003 and has been producing gold there since 2004.

Three-Year History

A summary of the key developments for the Company over the previous three years is as follows:

2012 Developments

In 2012, the Company continued to work with the IAMGOLD Corporation ("IAMGOLD") as part of a three-year option agreement signed in 2009. Under the terms of the agreement, IAMGOLD could earn an option to acquire up to an initial 51% interest in Avnel's 80% interest in SOMIKA by completing a Mineral Resource estimate ("MRE") and undertaking to complete a feasibility study for a bulk mineable project. In late 2012, and at the end of the three-year period, the option agreement was extended by mutual agreement to February 28, 2013.

2013 Developments

By the first quarter of 2013, IAMGOLD had spent approximately \$32.5 million on exploration and related activities on the Kalana Exploitation Permit since 2009, which exceeded the minimum expenditure of \$11 million required under the option agreement. However, IAMGOLD had not delivered an MRE that met the minimum vesting threshold of 2 million pit-constrained ounces of gold, resulting in the lapse of the option agreement.

Following the lapse of the option agreement with IAMGOLD, Avnel appointed Snowden to prepare a MRE and a Preliminary Economic Assessment ("PEA") for a potential open pit mining operation based upon IAMGOLD's exploration results relating to the Kalana Main deposit. As part of this work program, Snowden affirmed that the Company initiate a re-assay program on an initial 20,175 samples using the LeachWELL Assay method to determine a more appropriate estimation of the grade of gold mineralisation at the Kalana Main deposit that was previously planned by IAMGOLD.

2014 Developments

On March 24, 2014, the Company reported a MRE and the results of a positive PEA prepared by Snowden for a potential open pit mining operation at the Kalana Main Project. The PEA outlines a 14-year mine life recovering 1.46 million ounces of gold at an adjusted "all-in sustaining cost" of \$577 per ounce with an initial capital cost of \$149 million. Utilizing a gold price of \$1,110 per ounce assumption and a 10% discount rate, the PEA reported a net present value ("NPV") of \$194 million after tax and imputed interest, an internal rate of return ("IRR") of 53%, and a payback period of 2

years on a 100% project basis. The PEA is based upon an 8.54 million tonne Indicated Mineral Resource grading 4.53 grams of gold per tonne of material ("g/t Au") containing 1.25 million ounces and a 2.09 million tonne Inferred Mineral Resource grading 3.76 g/t Au containing 0.25 million ounces utilizing a cut-off grade of 0.9 g/t Au. The PEA also includes 0.66 million tonnes of tailings grading 1.80 g/t Au containing 0.04 million ounces that are classified as an Indicated Mineral Resource.

In the third quarter 2014, Avnel closed the first and second tranches, respectively, of a brokered Private Placement. Pursuant to the terms of the Private Placement, Avnel issued an aggregate of 67,586,400 Units of the Company at a price of C\$0.15 per unit for gross proceeds of approximately C\$10.1 million. On September 17, 2014, the Company closed a non-brokered private placement of 2 million units to a recently appointed senior executive officer of the Company at a price of C\$0.15 per unit for gross proceeds of \$300,000. The proceeds of the private placements are being used to advance the Kalana Main Project and general corporate purposes. For further information regarding these private placements, consult the section titled "Prior Sales".

Supported by the positive results of the MRE and PEA, the Company appointed Snowden to lead a PFS for the Kalana Main Project. Snowden would provide mine engineering design services and be supported by several leading consulting firms, all of whom have extensive experience in Mali, including Mr. Ivor Jones of Denny Jones Pty. Ltd. ("Denny Jones"), DRA Global, and Epoch Resources. As part of the PFS work program, the Company expanded the LeachWELL re-assay campaign to include additional samples from the IAMGOLD exploration program that would form an integral component to a revision to the Kalana Main MRE that was expected to form the basis for the planned PFS.

The Company also announced its plans for a drill program in the first quarter of 2015 intended to better define mineralisation near the margins of the pit shell, infill small gaps in the model, and step-out near the limits of the pit shell to test for gold mineralisation in highly prospective areas. The drill program is expected to enhance the overall potential economics of the project and improve key performance indicators, such as waste-to-ore ratio, capital intensity, Net Present Value ("NPV"), Internal Rate of Return ("IRR"), and payback period. The results of the last phase of the LeachWELL re-assay campaign and the drill program were not planned to be incorporated into the planned PFS, but would form the basis for a DFS that the Company had scheduled for completion near the end of 2015.

On October 15, 2014, the Company reported the September 2014 MRE, an updated MRE for the Kalana Main Project, that reported a 50% increase in total pit-constrained Indicated Resources to 1.94 million ounces (13.6 million tonnes grading 4.36 g/t Au at a 0.9 g/t Au cut-off prior to dilution) relative to the March 2014 MRE presented in the PEA. A significant portion of the increase in pit-constrained Mineral Resources in the September 2014 MRE is attributed to the results of the LeachWELL samples submitted during the second quarter of 2014. Extensive LeachWELL re-assay programs at Kalana Main have repeatedly demonstrated that the 50-gram Fire Assays have understated the average grade of samples relative to the two-kilogram LeachWELL assays by an average of approximately 40%. As a result, the Company submitted additional samples for LeachWELL analysis with the expectation that the average grade of the portions of the model that do not have significant LeachWELL assays would improve.

Developments Subsequent to 2014 and Outlook

On February 5, 2015, the Company announced, as a result of the increase in Mineral Resources reported in the September 2014 MRE (relative to the PEA) and the analysis of preliminary engineering work, that the Company had decided to advance the Kalana Main Project directly to the DFS level and discontinue the PFS. The Company has determined that this course of action would result in the DFS remaining on-track for completion in late 2015 following a previously planned drill program for the first half of 2015. The Company also announced that it had increased the planned drill program for the first half of 2015 to 23,500 metres ("m") over 141-holes at a budgeted cost of \$3.8 million. Drilling completed during the first half of 2015 is planned to be included in the next revision of the Mineral Resource estimate for the Kalana Main deposit, which is scheduled for completion near the end of the third quarter of 2015. The next revision of the Mineral Resource estimate is expected to form the basis for a DFS.

On March 26, 2015, the Company announced the March 2015 MRE, an updated Mineral Resource Statement for the Kalana Project that included the Kalana Main deposit, historic Kalana tailings, and an initial Mineral Resource for Kalanako, a satellite deposit located approximately 3 kilometres ("km") northeast of the Kalana Main deposit. The announcement reported that total Indicated Mineral Resources had increased 67% to 2.15 million ounces (15.2 million tonnes grading 4.40 grams of gold per tonne of material ("g/t Au") at a 0.9 g/t cut-off prior to dilution) since the PEA. Similarly, it was reported that total Inferred Mineral Resources had increased to 0.38 million ounces (2.2 million tonnes grading 5.33 g/t Au at a 0.9 g/t Au cut-off prior to dilution). As part of this announcement, it was also reported that the diluted pit-constrained Indicated Mineral Resource above a diluted cut-off of 0.9 g/t Au for the Kalana Main deposit had increased to 22.1 million tonnes grading 3.06 g/t Au (diluted) containing 2.17 million ounces.

As a result of the further increase to Mineral Resources at Kalana Main, combined with the expected results from the current drill program, the Company has decided that the DFS should assess a larger operation than the 3,000 tonnes per day envisioned in the PEA. Accordingly, to account for the time required to complete the appropriate process plant engineering and mine planning, the Company is extending the timeline slightly to complete the DFS from late 2015 to the first quarter of 2016.

The Kalana Main Project is expected to be sufficiently advanced for the Company to consider a construction decision to develop an open pit mine in the first half of 2016, subject to the availability of project financing and a positive DFS.

With respect to operations at the small, Soviet-era, underground mine at Kalana, it is scheduled to produce approximately 2,550 tonnes of material per month until the end of the third quarter of 2015. The primary sources of underground material are scheduled to be from veins 1 and 20C, which were developed for mining during 2014. Development will continue to focus on Vein 1 and Vein 20C on or below the 180 m level in 2015. Following the depletion of the underground material, the Company plans to continue to process surface stockpiles. Surface stockpiles are currently estimated to be 55,000 tonnes grading 7.7 g/t Au containing 13,000 ounces and are forecast to provide mill feed until the end of third quarter of 2016.

As a result, Avnel is forecasting gold production of 8,100 ounces from 49,000 tonnes of material at an average grade of 6.1 g/t at a budgeted recovery rate of 80% in 2015. Mill feed is scheduled to consist of 23,000 tonnes of underground material and 27,000 tonnes from surface stockpiles.

Under the prevailing gold price environment, the underground mine is not profitable and continues to be operated principally for exploration purposes and to maintain socio-economic stability in the local community; however, the underground mine is benefiting from the relative strengthening of the dollar as local goods and services, which are denominated in CFA francs, represent approximately 88% of the total goods and services purchased in 2014. The Company plans to continue underground mining through the completion the DFS to enable a smooth transition for the workforce to a proposed open pit mining operation at the Kalana Main Project.

NARRATIVE DESCRIPTION OF THE BUSINESS

Overview

Avnel is a publically listed mining company engaged in exploration, mine development, and the mining and extraction of gold with operations in south-western Mali, near the border with Guinea, in West Africa.

The Company's primary asset is an 80% equity interest in SOMIKA, which owns the Kalana Gold Mine and associated Kalana Main deposit that is contained within the 387.4 square kilometre ("km²") Kalana Exploitation Permit (the "Kalana Project"). The Kalana Gold Mine is a small, Soviet-era, underground mine that the Company brought back into production in 2004. The Company also has exploration permits and interests to the immediate south of the Kalana Project, which are collectively referred to as the Fougadian Project in this AIF and are detailed in the section titled "Fougadian Project" below.

The Company's strategic objective, through SOMIKA, is to develop the Kalana Main deposit into a bulk tonnage open pit mining operation. The Company is currently advancing the Kalana Main deposit towards this objective and expects to complete a DFS in the first quarter of 2016. Subject to the availability of project financing and a positive DFS, the Company anticipates making a construction decision during 2016. A secondary objective of the Company is to explore the Kalana and Fougadian projects to discover new mineral deposits.

Selected Disclosure Regarding the Company and its Business in Mali

In addition to information set out elsewhere in this AIF, the disclosure under this heading "Selected Disclosure Regarding the Company and its Business in Mali" provides investors selected summary information about the Company and its business in Mali, including Avnel's understanding of the Republic of Mali ("Mali") and applicable laws of Mali currently in force.

The Republic of Mali, West Africa

Mali covers an area of approximately 1,241,000 km² in western Africa, west of Burkina Faso. The country has a population of approximately 14.5 million. Bamako is the capital with a population of approximately 1.8 million.

Economic activity is largely confined to the Sikasso district and the riverine area irrigated by the Niger River. Approximately 80% of the labour force is engaged in crop and livestock farming and fishing. Industrial activity has traditionally been concentrated on processing farm commodities, primarily cotton, followed by gold mining operations since 1996, which is discussed further below in the section titled "Mining Industry".

Government Organisation

Mali gained its independence from France on September 22, 1960, and has a republic form of government. The Executive branch consists of the President elected by popular vote for a five-year term and is limited to two terms. The Prime Minister is appointed by the President and the Cabinet is appointed by the Prime Minister. At the time of this AIF, the current President is Mr. Ibrahim Boubacar Keïta who was elected in September 2013. The Legislative branch is formed of a National Assembly of 160 members elected by popular vote for a five-year term. Acts of the National Assembly are subject to review by the Constitutional Court, formally established on March 9, 1994. Mali's legal system is based on the French civil law system and customary law.

Currency

The official monetary unit of Mali is the CFA franc, which is currently fixed at the rate of 655.957 CFA francs to one euro ("€"), the official monetary unit of the Eurozone. There are no restrictions on the convertibility or transfer of funds.

Mining Industry

Commercial gold production in Mali commenced in 1985 at the underground Kalana Gold Mine under a state-aid program from the former Soviet Union. The first significant foreign private investment came from Resolute Mining in 1990 at Syama. Since 1996, foreign mining companies have increased gold mining operations in the country following the discoveries of large gold deposits such as Sadiola Hill (IAMGOLD and AngloGold Ashanti), Yatela (IAMGOLD and AngloGold Ashanti), and Morila (AngloGold Ashanti and Rangold). There are also several gold projects nearing development, such as the Fekola deposit that B2 Gold acquired through the acquisition of Papillion Resources in 2014.

As a result of this foreign investment, Mali has become a major Sub-Saharan gold exporter with gold representing approximately 80% of the nation's export earnings. Deposits of copper, tin, bauxite, iron ore, manganese, uranium and diamonds can be found in the country, but only gold and phosphate are currently mined. Total gold production has significantly increased on an annual basis and in 2014 amounted to an estimated 50 tonnes from both industrial production (46 tonnes) and artisanal miners (4 tonnes) according to the Ministry of Mines. Mali is the third largest gold

producing country in Africa, behind South Africa and Ghana and in 2011 was the world's 16th largest gold producing nation accounting for 1.63% of world production.

Mineral Rights in Mali

In Mali, the State owns the title to all mineral rights. Mali's *Mining Law* (Ordinance No. 99-032/P-RM of August 19, 1999, as amended) (the "1999 Mining Code") provides for six types of authorizations and permits:

1. An exploration authorisation valid for three months and renewable once for three months;
2. A prospecting authorisation valid for three years renewable once for three years;
3. An exploration permit valid for three years renewable twice for three years each time;
4. An exploitation permit valid for 30 years renewable indefinitely for 10 years each time;
5. A small scale mining authorisation valid for four years renewable indefinitely for four years each time; and
6. An artisanal exploitation authorization valid for one year and renewable.

The 1999 Mining Code provides that prior to the issuance of mineral rights, except for exploitation authorizations, a mining agreement ("Mining Convention") must be signed by the State of Mali and the future holder of the mineral right. The Mining Convention governs the relationship of the mineral right holder and the State during the exploration and the exploitation phases. Amongst other things, the Mining Convention provides for the minimum exploration expenses to be incurred and the size of the interest of Mali in the project if the property is brought into production, which is typically 10% free carried interest and 10% paying interest. In the case of SOMIKA, the Malian government has a 20% free carried equity interest in SOMIKA under the 1999 Mining Code.

Legal Rights

The Company has satisfied itself as to the Company's (or its subsidiaries') ownership and retention of its property interests by engaging local counsel to provide advice to it regarding the acquisition, ownership and retention of its permits, property interests and rights in respect of its material mineral properties and by direct communications with local government officials. The Company works with its legal counsel on an ongoing basis to ensure that all related matters are attended to on a timely basis. In addition, the Company has, on a number of occasions, obtained legal opinions with respect to its material properties in connection with financing and other transactions.

The Company also relies on the oversight by Qualified Persons (as such term is defined in NI 43-101), who have done a review of the Kalana Main Project, and through consultants who are engaged by the Company in connection with the Company's permitting, licensing, and regulatory approval application process, to confirm it has all material permits, business licenses, and other regulatory approvals needed to carry on business in Mali. The Corporation also consults regularly with legal advisors in Mali, including to confirm that all applicable permitting requirements for its operations have been obtained and, from time to time, retains local legal advisors to provide updated title opinions, as appropriate.

Foreign Corporate Structure

The Company's registered office is in Guernsey and its business in Mali is carried on through wholly-owned or majority-owned, indirectly held subsidiaries in each of Mali, the United Kingdom, and the Cayman Islands.

Each of these subsidiaries maintains local offices, where corporate minute books and other books and records are maintained. The Board of Directors of the Company has effective control over its subsidiaries in Mali, the United Kingdom and the Cayman Islands and their respective assets, including bank accounts, through its respective 80% or 100% indirect ownership of these entities. In addition, as the sole controlling shareholder, the Company has the ability to appoint, direct, supervise, and remove all officers and directors of its subsidiaries with the exception of SOMIKA. With respect to SOMIKA, Avnel appoints five directors and the State of Mali appoints two directors.

For a summary comparison of the Company's understanding of the laws of Ontario, Guernsey and the Cayman Islands that are applicable to a company and its shareholders under corporate rules please consult "Schedule B – Comparison of Law Summary" at the end of this AIF.

Corporate Governance

Many of the Company's directors and executive officers have significant experience conducting business in Mali, gained through their years of service to the Company in their respective roles or principal occupations, as applicable. Mr. Ibrahim Kantao, a non-executive Director of the Company, resides in Mali and Mr. Meade, an executive officer of the Company, also resides in Mali and works at the Kalana Project site. Mr. Miller, the Company's Chairman and CEO, makes regular visits to the Company's offices in Mali and the Kalana Project. He also conducts daily calls with local management. Certain directors and executive officers have also travelled to Mali on several occasions for various purposes related to the Company's business, including meeting with Malian government officials and representatives from banking and investment firms. Directors and executive officers of the Company visit the Company's operations in Mali as they deem to be necessary, often several times a year, to properly manage the Company's business and meet with local management.

As a part of carrying out the responsibilities of their respective offices, it is necessary for the directors and executive officers of the Company to familiarise themselves with the laws, requirements and roles of governments, local business culture and practices, and any differences in banking systems and controls in and between jurisdictions in relation to the Company's foreign operations. Directors and executive officers become aware of these matters on an ongoing basis through their skills, experience, education, knowledge, and a combination of written materials, meetings, site visits, legal and other professional advice, and other briefings and training, as appropriate.

Information is typically communicated to the Company's head office from its other locations of business through typical methods in the English language. There are, however, circumstances where communications and documents relating to the Corporation's business in Mali are received by the Company in the local language, typically French. Such items that are deemed material, including

legal documents and communications from government officials, are translated into the English language.

Environmental Policies and Obligations

All phases of Avnel's operations are subject to laws and regulations relating to the protection of the environment, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. See also "The Kalana Project – Environmental Liabilities", "Risk Factors – Environmental Risks and Hazards", and "Risk Factors – Environmental Impact of Mine Operations" for further information.

Social Policies and Obligations

Despite the size of the small Kalana Gold Mine, the Company has made significant contributions to the Malian economy, particularly in the region near the mine. Measureable contributions include the employment of mainly local people at the mine, direct and indirect taxes paid, and the purchase of goods and services from Malian companies, which is summarised in the following table:

Economic Contributions (\$, millions)	2004 – 2011	2012	2013	2014
Net Salaries & Employee Benefits	27.606	4.025	4.249	4.419
Direct Taxes & Duties	9.276	1.906	1.733	1.356
Indirect Taxes & Duties	6.243	0.850	0.944	0.979
Local Goods & Services	35.575	7.602	5.392	5.353
Total	78,800	14.383	12.318	12.107

The Company has a policy to purchase goods and services from Malian suppliers, including accommodation, laboratory analysis, auditors, fiscal advisors, insurance, engineering services, electric power, explosives, safety equipment, computer hardware, and spare equipment. In 2014, local services and goods represented approximately 70% of the total goods and services purchased.

The Company is also committed to employing qualified Malian nationals in key positions and, as a result, has an expatriate staff of only five people. Malian nationals hold key management positions such as Financial Manager, Plant Manager, Chief Geologist, Human Resources Manager, Mechanical and Electrical superintendents, Medical Doctor, Chief of Security, Chief Surveyor, Environmental Officer, Chief Safety Officer, and Country Manager.

In addition to employing a local workforce at the Kalana Gold Mine, Avnel has a number of social obligations in respect of the Kalana Project that it funds, which contribute significantly to the socio-economic stability of the region. These include: building and maintaining schools, including the employment of teachers and staff; establishment and maintenance of a local health clinic to service the Kalana village, including the employment of health personnel and staff; supplying drinking water to its employees; and funding the supply of electricity to certain public facilities in the Village of Kalana including local administration buildings, mosques, churches, and a health clinic. The Company makes an annual contribution to a local development budget, which in 2014, for example, included funding for a new child care facility, a youth centre, new medical equipment, plus supplies

and ongoing support for these facilities. A summary of these investments is presented in the table below:

Community Investments (\$, millions)	2004-2011	2012	2013	2014
Special Projects	0.127	0.078	0.134	0.037
Village Electricity	1.003	0.176	0.006	0.007
Other Community Development	0.211	0.047	0.053	0.053
Total	1.341	0.301	0.193	0.097

From 2004 to 2012, a significant contribution from the Company was free electricity to a significant portion of the Village of Kalana. Following a decision to electrify the majority of the village, the Company contributed \$80,000 to this capital project. The electrification is complete and the consumers make direct payment for services to the power supplier.

Community investments are made in consultation with stakeholders through formal events to provide an open forum for communication. Community leader meetings are held regularly where management provides information on the Company's performance and future plans for the development of a new open pit, bulk tonnage gold mine.

Employees are represented by two formal structures: An employee representative committee and the Union. Regular meetings are held with both parties to provide a constructive dialogue to enable the effective operation of the Kalana Gold Mine and discuss the Company's future plans.

The Company is also committed to improving the health of its employees, their families, and the residents of the local communities. The Company maintains a medical clinic at the Kalana Gold Mine that is staffed by a full-time doctor and a qualified nursing staff that is for the care of the Company's employees and their families. The Company also provides financial aid to four other medical clinics in area. The impact of the health services provided has had a significant impact on the health of the community. There has been a significant reduction in mortality of children under the age of five that has been achieved through the active participation in malaria prevention, education on health care through radio and community meetings, and the availability of qualified staff and medicine.

The Company has also committed to improving the level of education available to children. As part of this initiative, the Company has constructed eight classrooms in the Village of Kalana and three classrooms in the nearby Village of Niessoumala.

See also the section titled "The Kalana Project – Social" for additional information.

Competitive Conditions

The mining industry is competitive in all of its phases. Avnel faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious metals, base metals, and bulk mineable commodities. Many of these companies have greater financial resources, operational experience, and technical capabilities than Avnel. As a result of this competition, Avnel may be unable to maintain or acquire attractive mining properties

on terms it considers acceptable or at all. Consequently, Avnel's revenues, operations, and financial condition could be materially adversely affected.

Employees

Avnel's workforce is well trained and has significant operational experience at all levels. As at December 31, 2014, the Company had 422 employees and contractors, of whom 415 are located in Mali and seven of whom are located in other locations.

THE KALANA PROJECT

The Kalana Project comprises one operating or mining permit (the "Kalana Exploitation Permit"), registered to SOMIKA that covers an area of 387.4 km². The Company has an 80% interest in SOMIKA and the Government of Mali holds the remaining 20% beneficial interest in SOMIKA, which has anti-dilution and free-carry rights. The fiscal and title arrangements between SOMIKA and the Government of Mali are detailed in a 2003 Foundation Agreement, which is summarised in the section titled "Material Contracts – Kalana Foundation Agreement" near the end of this AIF.

Project Description and Location

The Kalana Project is located in southwestern Mali, approximately 250 km south of Mali's capital city of Bamako, in the Sikasso Region, near the border to Guinea in West Africa. The Company maintains an office in Bamako that supports the activities and operations of the Company in Mali.

Located within the centre of the northern portion of the Kalana Exploitation Permit is a small, Soviet-era, underground gold mine that covers an area of 2 km² (the "Kalana Gold Mine") that the Company operates. The mine is located within a kilometre of the Village of Kalana and has a population of at least 9,000 people. Under the prevailing gold price environment, the mine is not profitable and continues to be operated principally for exploration purposes and to maintain socio-economic stability in the local community. The Company intends to continue underground mining through the completion of a DFS to enable a smooth transition for the workforce from the underground mine to a new and significant open pit mining operation.

Access

The project may be accessed via road all year round from Bamako is via sealed highway for an initial 200 km and then lateritic road for the remaining 50 km. The driving time from Bamako to the Kalana Gold Mine site is approximately 4 hours. There is an international airport at Bamako with daily flights to many European and West African countries.

Climate

Most of Mali receives negligible rainfall and droughts are a recurring problem. During dry seasons, a hot, dust-laden harmattan haze is common. Flooding of the Niger River occurs regularly in the rainy season, which typically occurs from June to December, with peak rainfall in July, August, and September.

At the Kalana Mine site there is an abundant supply of water and the average annual rainfall at the Kalana Mine is approximately 1,200 millimetres (“mm”).

Vegetation within the Kalana Exploitation Permit area is sub-tropical (Sudanian Savanna) and is characterised by the coexistence of trees and grasses indigenous to the region.

The topography within the Kalana Exploitation Permit area undulates between 350 m and 440 m above sea level.

Communication

Modern telecommunication services are available at the Kalana Mine Site and at the camp facilities. Satellite phones are also available for both domestic and international calls. Satellite Internet communications are the main method for electronic communications. This system has sufficient bandwidth to support VPN and other communication requirements between the mine site, the office in Bamako, and other corporate offices. The Company also maintains a backup radio system to maintain contact with exploration teams conducting fieldwork.

Power

The Kalana Gold Mine receives a 5,000 volt amp (5 kVA) electricity supply via grid power pursuant to an agreement with a corporation affiliated with the Malian Government. On site backup diesel generators provide sufficient power for water pumping from the underground mine and limited operations. This power supply is not sufficient for the open pit mining operation that the Company is contemplating and electricity will either need to be generated on site with heavy fuel oil (“HFO”) or to be connected to the electrical grid from the Ivory Coast.

History

The area surrounding the Kalana Exploitation Permit was known as a gold producing region dating back to at least the 1300s under the reign of the Malian Emperor, Musa Keita I. The first documentation of modern gold exploration in the area covered by the Kalana Exploitation Permit began in the 1930s by French geologists. The area associated with the Kalana Gold Mine, was intensively explored from 1967 to 1982 as part of a Soviet Technical Assistance Program to Mali. In 1982, a decision was taken to develop the Kalana Gold Mine as a small, fresh rock only, underground mine using a recovery process based on crushing, milling, and gravity concentration. In 1984, the Kalana Exploitation Permit was created in the favour of SOGEMORK as part of the Soviet Technical Assistance Program to Mali. The original permit was granted in 1984 for a period of 15 years, renewable at five-year intervals thereafter up to a maximum of a 30-year term.

Production commenced in 1985 and a total of 227,000 tonnes of ore was treated at an average head grade of 13 g/t to produce 81,000 ounces of gold by August 1991. In 1991, technical and financial resources were withdrawn from the Kalana Gold Mine following the dissolution of the Soviet Union. This resulted in the Kalana Gold Mine being placed on care and maintenance. The Kalana Exploitation Permit that was originally granted to SOGEMORK in 1984 reverted to the Malian Government following the dissolution of SOGEMORK in February 1992.

In 1994, the Malian Government embarked on a privatisation program with the assistance of the World Bank. As part of that program, the Malian Government launched an international call for tenders for the Kalana Exploitation Permit.

In February 1995, a joint venture (the "Ashanti-JCI Joint Venture") of Ashanti Goldfields ("Ashanti") and Johannesburg Consolidated Investment Co. ("JCI") were awarded the right to acquire an 80% interest in the Kalana Exploitation Permit with the Malian Government holding the remaining 20% free carried interest. Ashanti was to be the operator of the Kalana Permit. JCI withdrew from the Ashanti-JCI Joint Venture in 1996 and in 1997 Ashanti mandated Rothschild Natural Resources LLC to seek a suitable mining company to develop, operate, and acquire a majority interest in the Kalana Exploitation Permit.

In May 1997, Nelson Gold Ltd. ("Nelson Gold"), a company previously managed by some of Avnel's executive officers, reached agreement with Ashanti, subject to approval of the Malian Government. Following that agreement, Nelson Gold conducted a feasibility study on the Kalana Gold Mine. The Malian Government did not ratify the agreement between Nelson Gold and Ashanti. On April 15, 1999, the Minister of Mines of the Republic of Mali notified Ashanti that the Malian Government had terminated its right to the Kalana Exploitation Permit as the Ashanti-JCI Joint Venture had failed to meet its contractual commitment to put the Kalana Gold Mine into production within the prescribed three-year term. The Malian government re-issued international tenders in July 1999, and again in October 2001. Nelson Gold submitted a tender in July 1999, but was unsuccessful. However, the successful company did not meet its initial financial commitments, as a result of which the tender was cancelled.

In July 2000, Elliott Associates L.P. acquired Nelson Gold's intellectual property of the Kalana Gold Mine, which largely consisted of the various technical studies undertaken by Nelson Gold. In September 2001, Elliott Associates L.P. formed Avnel Cayman specifically to tender for the Kalana Gold Mine. Avnel Cayman tendered a bid in the October 2001 invitation. It ranked highest in its technical bid, but was the second highest financial bidder and, accordingly, was not awarded the tender. When the company that was successful failed to meet its financial commitments, the Malian Government offered Avnel Cayman the right to acquire the Kalana Exploitation Permit. The tender was formally awarded to Avnel Cayman on December 23, 2002.

The necessary legal agreements were concluded in the early part of 2003 and the permit was awarded to Avnel Cayman on April 7, 2003. On July 23, 2003, SOMIKA was incorporated as an 80% owned subsidiary of Avnel Cayman with the Malian Government holding a free carried 20% interest with anti-dilution results. Pursuant to the Foundation Agreement, Avnel Cayman transferred the permit to SOMIKA and the transfer was confirmed by the decree of the Malian Government in December 2003.

Mining operations were resumed by SOMIKA in January 2004 in accordance with the terms of the Foundation Agreement, which stipulated that the Kalana Gold Mine was to be brought back into production for a period of no less than three years. At the date of this AIF, Avnel continues to operate the small, Soviet-era, Kalana Gold Mine as an underground room and pillar mine with gold being recovered in a gold plant using gravity recovery methods only.

In September 2009, the Kalana Main Project became part of a joint venture option agreement with IAMGOLD. The option agreement provided IAMGOLD the opportunity to earn an initial 51% interest in Avnel's 80% share of the Kalana Project by spending a minimum of \$11 million on exploration activities over three years and by delivering a NI 43-101 compliant technical report for a Mineral Resource of at least 2 million ounces of gold as well as proceeding with a feasibility study.

At the end of the exploration period, extended by mutual agreement to the end of February 2013, IAMGOLD had spent approximately \$32.5 million on exploration activities at Kalana but had not delivered a Mineral Resource that met the two million ounce vesting threshold. This resulted in the automatic lapse of the option agreement. The costs incurred by IAMGOLD are represented by quasi-equity loans to Avnel Cayman, which were lent to SOMIKA. On expiry of the option agreement, IAMGOLD's loans to Avnel Cayman were forfeited. IAMGOLD has no residual interest in the Kalana Exploitation Permit.

Following the lapse of the option agreement, the Company expanded its management team and assembled a group of consultants to assist in the completion of studies and testing required to further advance the Kalana Main Project. To this effect, the Company completed a positive PEA for a potential open pit mining operation in the first quarter of 2014. The Company is now in the process of conducting the requisite technical studies and drilling program to complete a DFS that is scheduled to be completed in the first quarter of 2016.

Current Mining Operations

Avnel resumed mining operations at the small, Soviet-era, underground Kalana Gold Mine in January 2004. Avnel continues to operate the mine as an underground room and pillar mine with gold being recovered in a gold plant using gravity recovery methods only. From 2004 to year-end 2014, the mine has produced 158,491 ounces of gold from a total of 478,757 tonnes at an average grade of 11.9 g/t at an average recovery of 85.4%. A summary of mine production from 2004 to year-end 2014 is presented in following table:

Year	Tonnes Milled	Grade (g/t Au)	Recovery (%)	Production (ounces)
2004	35,667	9.4	68.6	7,396
2005	34,885	15.5	86.1	14,923
2006	27,743	28.2	90.1	22,638
2007	35,222	24.2	92.0	25,359
2008	48,262	15.7	82.0	21,407
2009	49,348	12.1	86.6	16,677
2010	50,238	7.7	86.1	10,727
2011	47,546	7.2	84.6	9,550
2012	49,485	7.3	87.3	10,090
2013	50,848	7.6	82.0	10,176
2014	49,513	7.4	81.2	9,548
Total	478,757	11.9	85.4	158,491

In 2015, the Kalana Gold Mine is scheduled to produce approximately 2,550 tonnes of material per month until the end of the third quarter of 2015. The primary sources of underground material are scheduled to be from the veins 1 and 20C, which were developed for mining during 2014. Development will continue to focus on the Vein 1 and Vein 20C on or below the 180 m level in 2015. Following the depletion of the underground material, the Company plans to continue to process surface stockpiles. Surface stockpiles are estimated to be 55,000 tonnes grading 7.7 g/t Au containing 13,000 ounces and are forecast to provide mill feed until the end of third quarter of 2016.

As a result, Avnel is forecasting gold production of 7,800 ounces from 50,000 tonnes of material at an average grade of 6.1 g/t Au at a budgeted recovery rate of 80% in 2015. Mill feed is scheduled to consist of 23,000 tonnes of underground material and 27,000 tonnes from surface stockpiles.

Ownership

The Kalana Exploitation Permit is wholly owned by SOMIKA and includes the Kalana Gold Mine, the Kalana Main deposit, the Kalanako deposit, and several prospective satellite gold systems, including the Djrilla, Dabaran, Tonda, Solomanina, Sananfarani, Ténintoumanina, and Sanékourou prospects. Avnel owns an 80% of SOMIKA and the Malian Government has a free carried 20% interest with anti-dilution rights.

Surface Rights

Surface rights in the area surrounding the Kalana Gold Mine are held by SOMIKA, which currently covers an area of 2 km². Under the Malian mining code, the surface rights associated with the Kalana Exploitation Permit are assignable to SOMIKA, subject to the payment of modest statutory compensation rates to current users that is set by the Malian Government.

Permits

The Kalana Exploitation Permit covers a surface area of 387.4 km² and is unique in Mali. Under Malian law, exploitation permits are normally only granted in respect of areas covered by a complete and approved feasibility study. Additionally, exploration permits are normally granted for a limited time (usually three years, twice renewable for three year terms), with a set amount of minimum required spending and on the basis that the area covered by the permit halves each time the permit is renewed. The Kalana Exploitation Permit, on the other hand, is a combined exploration and exploitation permit that is derived from the legislation originally passed to enable the Soviet Union aided state company, SOGEMORK, to develop the Kalana Gold Mine. The original permit was granted in 1984 for a period of 15 years, renewable at five-year intervals thereafter, up to a maximum of a 30-year term.

In April 2003, during its first renewal period, the Kalana Exploitation Permit was transferred to Avnel and was simultaneously reinstated for a new term of 30 years under the terms of the 1999 Mining Code. Should the exploitation of the Kalana Main deposit (and subsequent mineral deposits) not be completed at the end of this 30-year period, the permit may be renewed at the discretion of the Malian Government, and on terms negotiated at such time, for two additional 10-year terms or until all deposits are exhausted.

Under the terms of the Kalana Exploitation Permit, the only permitting required to develop new mines is the approval of an Environmental and Social Impact Assessment (“ESIA”) for each mine.

Environmental and Social Impact Assessment

The Company is currently preparing a new ESIA to meet the requirements of the Equator Principles with the intention of pursuing international financing for construction of a new, open pit, bulk tonnage mine at Kalana Main. The ESIA will be prepared to conform to the requirements of the 2012 International Finance Corporation Performance Standards, Environmental Health Safety guidelines, and other financial institutions that are signatories to the Equator Principles.

As part of the proposed development of an open pit mining operation at Kalana Main, the Company anticipates that approximately 300 homes from the Village of Kalana will need to be relocated. A comprehensive plan for affected stakeholders is being developed with on-going consultation events. Avnel has engaged with the local communities, particularly the Village of Kalana, through public disclosure regarding information on the development of the Kalana Main Project. Community consultation efforts to date have been positive, largely due to the Company’s longstanding presence in the region as the largest single employer. Regular engagement will continue throughout the project development at every key stage and the Company expects to complete a comprehensive Community Resettlement Action Plan in the second half of 2015.

The requisite baseline studies for the requisite ESIA are scheduled to be completed in mid-2015 and other associated studies are expected to be completed in the fourth quarter of 2015. The ESIA is expected to be submitted to the Malian authorities in the fourth quarter 2015 for approval with an expected turn-around-time of 4 to 8 weeks.

Royalties

Pursuant to the Foundation Agreement between SOMIKA and the Government of Mali, a 3% Net Smelter Return (“NSR”) royalty is payable to the government. See the section titled “Material Contracts – Foundation Agreement” for additional information.

Environmental Liabilities

The mining and treatment processes at the Kalana Gold Mine have resulted in the emission of concentrations of certain chemicals in surface water, such as arsenic, that are at levels below World Health Organization guideline values. In the future, the presence of these or other chemicals in tailings, gasses discharged from the calcine oven stack, or other discharge sources could potentially rise to unacceptable emission levels.

Additionally, 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 underground mining operations from 1985 to 1991.

The Company complies with all environmental obligations and the Government of Mali has absolved the Company of all environmental liabilities created prior to 2003. The Company has recorded an asset retirement obligation of \$2.0 million on its Condensed Consolidated Statement of Financial Position as at December 31, 2014.

Social

The Company takes every precaution to minimise the impact of its mining operations on the local communities while endeavouring to maintain socio-economic stability in the region. The Company provides significant employment opportunities to members of the Village of Kalana and plans to continue underground mining through to the completion of a DFS for the Kalana Main Project. This is intended to enable a smooth transition for the workforce from the underground mine to a new and significant open pit mining operation and thus maintaining socio-economic stability in the region. The Company also provides medical and education assistance to the Village of Kalana and elsewhere in the Sikasso region of Mali.

For additional information of the Company's social practices and commitments, please consult the section titled "Narrative of the Business – Social and Environmental Policies and Obligations" above.

Geology

The Kalana Project is underlain by sedimentary rocks of the lower part of the Upper Birimian Group in the Yanfolila-Kalana basin. There are three principal Birimian-Eburnean lithological and structural units in the Yanfolila-Kalana basin: (1) Birimian volcano-sedimentary series (dacitic-andesitic compositions) of the Yanfolila-Kalana and Bagoé basins intruded by (2) a younger granitic to monzogranitic suite of rocks (~2090 Ma) and (3) a late dioritic-grandioritic intrusive event (~2075 Ma) represented in the Yanfolila-Kalana area by local plugs and dykes in the region containing the Kalana and Fougadian projects.

The Kalana Project area is characterised by two domains that are easily discernable from airborne geophysics: Birimian volcano-sedimentary basin in the east, and an Eburnean metamorphic and granitic domain in the west. Gold-related calc-alkaline magmatic bodies intruded the terrane at the end of the Eburnean orogeny and typically consist of northerly trending dioritic dykes that are common throughout the region and often spatially associated with gold mineralisation.

Mineralisation

Within the Kalana Exploitation Permit, mineral deposits are generally considered to be Paleo-Proterozoic orogenic (or mesothermal) gold deposits. Gold mineralisation at these prospects are typically either associated with high-grade quartz veins or regional shear structures.

The Kalana Main deposit is hosted within volcano-sedimentary rocks of the lower part of the Upper Birimian Group. The (meta)-sediments consist of turbidite sandstone-siltstone (+/- tuff) sequences. The Kalana Main deposit is divided geologically into three structural domains based on the dip and strike of the quartz vein packages. These domains are known as Kalana I North, Kalana I South, and Kalana II, and are all located in the immediate vicinity of the Kalana Gold Mine. The mineralisation is hosted in narrow shallow dipping quartz and associated inter-vein mineralisation defining together the vein packages. Within these domains, the predominant strike and direction of quartz vein packages varies.

Within the Kalana Main deposit, there are two elongated east-west sigmoidal diorite dykes that intrude the Birimian rocks and are associated with the emplacement of the gold mineralisation. The western main dyke ("Kalana I South") is approximately 180 m by 250 m and the eastern tail ("Kalana

II") is 150 m by 750 m (Kalana II). The two parts of the intrusion have been encountered to depths of 600 m and are surrounded by a contact metamorphic aureole (hornfels) that is up to 30 m wide.

Elsewhere on the Kalana Exploitation Permit, and generally within a 20 km radius from the Kalana Main Project, geologically similar gold deposits, occurrences, and prospects are known. The principal ones, some of which are in the process of being evaluated are the Kalanako deposit and the Djrilla, Dabaran, Tonda, Solomanina, Sananfarani, Ténintoumanina, and Sanékourou prospects. Gold mineralisation at these prospects are typically associated with either high-grade quartz veins (similar to the Kalana Main deposit) or regional shear structures.

Exploration

After acquiring the Kalana Project in 2004, Avnel began exploration activities on the Kalana Exploitation Permit. Exploration activities included, but were not limited to, geochemistry surveys, ground-based geophysical surveys, termite mound sampling, pitting, mapping extensive artisanal excavations, petrographic studies, and diamond and reverse-circulation ("RC") drilling. The Company also compiled and digitized over 40 years of previous work by other parties, which was a significant undertaking. The objective of these work programs was to support underground mining operations at the Kalana Gold Mine, prioritise known prospects, and identify new gold occurrences within the Kalana Exploitation Permit.

A summary of the drilling completed by the Company between 2005 and 2008 is presented in the table below. A large focus of the drilling conducted during this period were to assess prospects near the southern portion of the Kalana Exploitation Permit, principally Djirilla. This was intended to assist in the evaluation of the land package to the south of the permit that the Company was awarded an exploration permit for in 2006, which is described in greater detail in the section below titled "Fougadian Project".

Drilling on the Kalana Exploitation Permit by Avnel (2005 - 2008)

Location	Drilling Method	Length of Metres Drilled by Year				Total
		2005	2005/2006	2007	2008	
Djrilla (Grid 8)	Rotary AB	6,235	-	-	-	6,235
Djrilla (Grid 8)	RC	2,872	2,542	-	-	5,414
Djrilla (Grid 8)	Core	-	2,223	-	-	2,223
Tonda-Dabaran (Grid 7)	RC	-	2,525	-	-	2,525
Kalana	Core UG	-	-	-	2,029	2,029
Kalana	RC	-	-	-	1,400	1,400
Total		9,107	7,290	0	3,429	19,826

In 2009, the Company entered into a three-year option agreement whereby IAMGOLD became the subcontractor for the exploration programs on the Kalana Exploitation Permit.

IAMGOLD took an aggressive approach to exploration over this period with the intention to collect sufficient data for an initial MRE for a potential open pit mining operation. During the three years that IAMGOLD explored the Kalana Main Project, there was a change of strategy to develop the

Mineral Resource. The first diamond drill hole campaign that occurred in 2010 was characterised by the use of HQ-NQ diameter, two directions of drilling (N254° and N344° defined on statistical treatment of structural data obtained from underground workings) with a planned depth of 230 m (maximum depth of 487 m). This drilling campaign was also characterised by relatively short drill holes (planned depth of 108 m) in one direction of drilling (N254°) in order to test NW-SE vertical structures of the Dynamite Trend, around the Kalana Main deposit, and the well-defined Kalana I South system.

The second campaign between 2010 and 2011 was characterised by larger diameter PQ and HQ core with a planned depth of between 280 m and 330 m (maximum depth of 718 m). The core diameters were increased to improve core recovery and collect a larger initial sample weight to reduce potential sampling errors commonly associated with coarse gold systems like those found on the Kalana Exploitation Permit. RC drill holes were focused on the Kalana Main gold deposit.

After 2011, drill holes became deeper using a bigger RC rig joined to a compressor, and RC drill holes were used in the central part of the deposit to infill the diamond drill hole lines where structural information was considered sufficient. With time, the RC drilling became the preferred method for exploration drilling due to the better quality of the sample (30 to 40 kg per metre ("kg/m") instead of 3 to 8 kg/m in diamond core), improved recovery (particularly in the weathered horizon), and the efficiency of the method in terms of time and cost.

IAMGOLD completed 185 diamond core and 567 RC drill holes for a total of 130,363 m of drilling, in the immediate vicinity of the Kalana Gold Mine between January 2010 and January 2013. During this period, IAMGOLD also drilled an additional 34,292 m at Kalanako (29,555 m), Dadjan (2,202 m) and Djirila (2,535 m), for a grand total of 164,655 m. A summary of the IAMGOLD drilling campaigns is presented in the following table:

Summary of Kalana Project Drilling by IAMGOLD

Location	Drilling Method	Length of Metres Drilled by Year				Total
		2010	2011	2012	2013	
Kalana	Core	13,177	22,955	14,843	-	50,975
Kalana	RC	11,702	24,209	43,223	254	79,388
Kalanako	Core	-	7,408	-	-	7,408
Kalanako	RC	14,462	3,441	4,244	-	22,147
Dadjan	RC	2,202	-	-	-	2,202
Djirila	RC	-	-	2,535	-	2,535
Total		41,543	58,013	64,845	254	164,655

Kalana Main Exploration Summary

A summary of the drill programs from the three Kalana Main domains drilled to date by the Company and IAMGOLD is presented in the following sections.

Kalana I North

The estimated total core length obtained at Kalana I North corresponds to approximately 45% of the total campaign completed by IAMGOLD (80 diamond drill holes). The diamond drill holes completed at Kalana I North consisted of holes drilled at a dip of 60° from south to north on 50 m sections (i.e., 50 m between two drill holes) and 9 holes drilled at the same dip but from east to west. This program covered a surface area of 300 m (north-south) and 350 m (east-west) on surface and increased at depth to a surface area of 700 m by 500 m. An infill program of RC drill holes was completed in 2012. These holes were drilled to a depth of between 150 m and 270 m in order to achieve a 25 m by 50 m grid spacing. Kalana I North was typically preferentially drilled from south to north to reflect quartz vein attitudes observed from drilling and in underground excavations.

Kalana I South

Approximately 45% of the total diamond drill holes were completed at Kalana I South (approximately 80 diamond drill holes) and consisted of angled drill holes from east to west on 50 m sections and 19 inclined drill holes from north to south on 100 m sections. This program covered a surface area of 540 m (east – west) and 490 m (north – south). An infill program of angled RC drill holes was also completed. The RC drill holes were drilled to a depth of between 100 m and 250 m with collars spaced 25 m apart in order to achieve a 25 m by 50 m grid spacing. Kalana I South was typically preferentially drilled from east to west according the quartz vein attitudes observed in drill programs and in underground workings.

Kalana II

A total of 16 diamond drill holes were completed at Kalana II, which consisted of 8 drill holes drilled at a dip of 60° from north to south on 100 m sections and 8 drill holes drilled at 60° from east to west on 100 m sections. Similar to the Kalana I North and South drill programs, an infill program of RC drill holes was completed over eight south-north and eight east-west sections. The drill holes were drilled at between 55° and 60° and to depths between 100 m to 250 m with collars spaced at either 50 m or 25 m apart. Because of a thicker local weathered zone, a lack of underground development, and the low dipping attitude of the mineralised packages occurring at Kalana II, this part of the deposit was drilled systematically in two directions to better constrain the structural interpretations.

Exploration Elsewhere on the Kalana Project

The following provides a summary of drill programs conducted elsewhere on the Kalana Main Exploitation Permit, specifically at the Kalanako deposit and the Djirilla, Dadjan, and Tonda-Dabaran prospects.

Kalanako Deposit

Kalanako was first defined and drilled by SONAREM-SOGEMORK and then Ashanti. It is located approximately 3 km to the northeast of the Kalana Main Project.

The first IAMGOLD campaign was characterised by two long east-west lines of RC drill holes across an historic area of “orpaillage” (or artisanal mines). The east-west direction of drilling was chosen to be the best suited one to intercept northwest-southeast and northeast-southwest directions observed at surface from pit and termite mound anomalies. The northeast-southwest direction has been interpreted as a second order direction, linked to paleo-alluvium occurring below the duricrust.

After 2010, drill campaigns used the same direction of drilling despite the lack of NE-SW structures, but were planned on the main northwest-southeast trends. The second RC drill hole campaign followed up on the results obtained during the first drilling campaign. The third RC drill hole campaign was designed create a uniform 25 m by 50 m drill pattern.

Between 2010 and 2012, 206 RC holes over totaling 22,147 m were drilled at Kalanako. The RC drill holes were drilled at angles of 55° to an average depth of 107 m with collars spaced 25 m apart. In 2011, 29 diamond drill holes totaling 7,408 m were completed at Kalanako. The holes were drilled from east to west at angles of 55° to an average depth of 255 m.

Diamond drilling at Kalanako displays numerous prospective high strain zones (shearing and folding), packets of dense laminated quartz vein with sulfides and locally, highly altered and mineralised felsic intrusives. Mineralisation is associated with these felsic rocks that intrude the NW-SE striking shear zones. These mineralised zones appear to be steeply dipping over a width of less than 10 m. Diamond drill results to date generally exhibit low grades over narrow widths at the depth. The depth of saprolite and saprock is approximately 80 to 130 m, which is much deeper than that observed at Kalana.

Mineralisation at the Kalanako deposit occurs over a strike length that is in excess of 5 km in a northwest – southeast direction, of which only approximately 1.4 km of strike length has been drilled. The attitude of the vein packages varies from northwest – southeast to north-northwest – south-southeast and dips steeply in a north easterly direction.

Djirila Prospect

Djirila is located 20 km from the Kalana Main Project near the southeast corner of the Kalana Exploitation Permit. The Djirila prospect is a large gold-in-soil anomaly that was discovered by Avnel in 2004 and partially drilled between 2005 and 2009, which encountered high-grade mineralisation down to a depth of 150 m.

In 2012, IAMGOLD drilled a total of 19 RC drill holes for 2,535 m at Djirila. The drill results demonstrated the continuation of gold mineralisation in the zone, confirming the high potential of this prospect. The gold mineralisation at Djirila is associated with regional shear structures.

Dadjan Prospect

Dadjan was defined by IAMGOLD on the basis of the “orpaillage” (or artisanal mines) mapping and termite mound geochemical results obtained in 2010. A total of 22 RC holes over 2,202 m were drilled on this prospect at an inclination of 55°. The average depth of the drill holes was approximately 100 m with collars spaced approximately 50 m apart. The largest part of the

combined “orpillage” and termite mound anomaly proved to be a paleo-alluvial gold placer anomaly transported from its source which is interpreted to be located south of the main Dadjan area. As a result, Dadjan is not currently considered to be a high-priority exploration target.

Tonda-Dabaran Prospect

Thirty holes, inclined at 50 degrees, were drilled by Avnel between 2005 and 2006 at Tonda-Dabaran prospect for a total of 2,525 m. The holes were located in the Tonda anomalies, to the north, and in the Dabaran West anomalies, to the south. The holes were planned to test various soil anomalies and artisanal workings. The results returned for Tonda and Dabaran West anomalies indicate that the mineralised systems in this area appear to have more modest grades and widths in the near-surface environment. The correlation between gold and arsenic is less precise on Tonda-Dabaran compared to that found on Djirila and the other anomalies still to be tested by drilling. As a result, Tonda-Dabaran is not currently a high-priority exploration target.

Exploration Plans for 2015

The Kalana Main deposit is open for expansion both laterally and at depth. As part of the planned work program for a Definitive Feasibility Study (“DFS”) for the Kalana Main Project, the Company plans to complete a 141-hole, 23,500-m drill program at a budgeted cost of \$3.8 million. This drill program is expected to be completed near the end of the second quarter of 2015 and is intended to:

- 1) Better define the up-dip shape and continuity of known mineralisation near the west, north and eastern margins of the pit shells;
- 2) Infill small gaps within the model to better define grade and continuity; and
- 3) Step-out near the limits of the pit shell to test for near surface gold mineralisation in highly prospective areas.

Drilling completed as part of this program is to be included in the next revision of the Mineral Resource estimate for the Kalana Main deposit, which is scheduled for completion near the end of the third quarter of 2015 and is expected to form the basis for a DFS.

Drill Hole Sampling and Analysis

Diamond Drill Core Sampling Method, Sample Preparation, and Analysis

All diamond drill core is photographed and logged using hard copy logging forms. Geological logging includes primary and detailed lithology units, alteration, oxidation state, geological structures and their orientations.

Company geologists log geotechnical core data including: Rock quality designation (“RQD”), fracture count, rock strength classification, and core recovery for each drill run. Core samples are marked using coloured wax-markers at 1 m intervals, and may be adjusted as appropriate. Core drill holes are sampled along the full length on a 1 m basis. Core is cut on the orientation line. Sample intervals

are assigned sequential sample and quality control sample numbers by Company technical personnel under supervision of Company geologists.

Between 2010 and 2012, the sampling protocol entailed the splitting of the core with a diamond saw by IAMGOLD staff at the Kalana mine site. Half of the sample was retained at the Kalana mine site and the other half sampled by the metre and dispatched to SGS analytical facilities in Bamako, Mali. SGS in Bamako is part of the SGS Group of laboratories that operate under a global quality management system in accordance with ISO/IEC 9001. Each sample was dried, crushed, pulverised to 85 percent passing 75 micron, and then split using a cone splitter. Approximately 200-gram ("g") of the pulverised sample was placed in sealed packets and sent to the SGS assay laboratory in Kayes, Mali. Samples were analysed for gold using a conventional fire assay procedure on 50-g sub-samples. Rejects were returned to the Kalana mine site for storage.

RC Drill Hole Sampling Method, Sample Preparation, and Analysis

Reverse circulation drilling samples are routinely collected at 1 m intervals at a rate of six samples per drill rod. Drill cuttings for each drilled metre are collected in plastic bags at the rig and transported to the Kalana mine site for air drying in pans as required (mostly for samples from the lower portions of the RC drillholes). The samples were weighted at the drill rig.

Samples are split at core shed facilities using a Jones Riffle Sample Splitter to produce a nominal 2.5 kg sample for subsequent assaying. Chip boards, washed samples for logging, and pan concentrates for the observation of any free gold were also prepared.

Between 2010 and 2012, the 2.5 kg sub-samples were taken to a SGS preparation laboratory. The sub-sample was weighed by SGS personnel and recorded. The entire sub-sample of nominally 2.5 kg was crushed to 2 mm and pulverised to a nominal 85 percent passing 75 micron. A sub-sample of nominally 200 g was taken from the pulverised material and placed in a Kraft paper bag for transport to the analytical laboratory. Since October 2010, the 200 g sub-samples have been collected by riffle splitting to avoid possible segregation of heavy gold particles after pulverisation.

Drill Program Assaying QA/QC

For exploration work in close proximity to the Kalana gold deposit, IAMGOLD implemented external analytical control measures on all sampling. This consisted of the use of control samples to monitor the reliability of analytical results delivered by the primary assay laboratory. As part of the QA/QC program, control samples were added, which included certified reference materials ("CRMs") and blank samples at a rate of 5%, plus field duplicates at a rate of 2.5%. These activities were carried out by IAMGOLD personal to industry standards. In addition to this, IAMGOLD accessed the internal analytical quality control measures implemented by SGS laboratory in Kayes, Mali as additional measures. These additional measures included repeat assaying of pulverised samples, second split duplicate assaying of pulps, insertion of CRMs and blank samples.

During the course of exploration at the Kalana Main deposit, IAMGOLD used 37 different commercially CRMs sourced from Rocklabs as well as one commercial CRM sourced from Data Analysis Australia Pty Ltd. of Australia. The CRMs covered a range of gold values from 0.0849 g/t Au to 30.04 g/t Au. The blank material consisted of sandstone from the Bamako cliff, prepared and

certified by laboratory ALS Chemex in Bamako, Mali. Control samples were inserted approximately every ten samples alternating between a standard and blank for both the core and RC samples. Field duplicates were taken every 17 samples for RC samples. In addition, umpire laboratory testing was performed by ALS Minerals.

LeachWELL Re-Assay Campaigns

An important aspect of the evolution of determination of in situ grade at the Kalana Main deposit is an extensive re-assay program undertaken between 2013 and early 2015. Samples from drilling were originally assayed using Fire Assay methods. However, the coarse nature of much of the gold was interpreted as a reason for significant grade under-estimation when compared to drill hole grades to grades realised from production.

Extensive re-assay programs from Kalana Main have repeatedly demonstrated that the 50 g Fire Assay method typically understated the grade of samples relative to the more appropriate 2- to 4-kg LeachWELL assay method. This understatement of grade is due to the coarse nature of the gold mineralisation and the significant difference in the mass and volumes of the samples being assayed between the two methods. Because of the larger mass and volume being assayed, LeachWell is a more appropriate method than Fire Assay for determining gold content at Kalana.

The findings of the LeachWELL assay method have been confirmed with other methods more appropriate for the determination of grade in coarse gold deposits, including Screen Fire Assay and gravity methods. Fire Assay was originally selected for determination of grade by IAMGOLD due to the rapid turnaround time from the lab and the low cost.

Avnel re-assayed RC drilling duplicate samples, referred to as “witness samples”, and diamond drill (“DD”) pulp reject samples utilising a cyanide bulk leach extractable gold (“BLEG”) technique (using LeachWELL) on a 2 kg sample plus Fire Assay on the tail. RC witness samples previously stored on site at Kalana by IAMGOLD were split, if necessary, to obtain a sample of less than 5 kg. The diamond drillhole pulp rejects originally prepared at the SGS laboratory in Bamako are stored at Kalana. The samples were collected and checked before transportation to the BigsGlobal analytical laboratory in Ouagadougou, Burkina Faso. Initial screen fire assay work from the SGS Bamako laboratory was halted following procedural issues and the work diverted to BigsGlobal’s LeachWELL facility.

The Company has submitted a grand total of 31,100 primary samples for re-assay by LeachWELL, representing 91% of the mineralised intercepts in the database that report a Fire Assay grade of greater than 0.5 g/t Au at Kalana Main. On a cumulative basis, the re-assay campaigns have demonstrated that the original 50-g Fire Assay typically understated the average grade of samples relative to the LeachWELL assays by an average of approximately 40% at Kalana Main.

Kalana Main Project LeachWELL 2 kg Re-Assay Campaign Summary

	Re-Assays*	Cumulative Total	Cumulative % database	Cumulative % database >0.5 g/t Au
March 2014	20,232	20,232	15.5%	67.1%
September 2014	4,683	24,858	19.1%	75.6%
March 2015	6,185	31,100	23.9%	91.0%

*excludes duplicates and QA/QC samples

The Company has also submitted a total of 2,267 samples from the Kalanako deposit for LeachWELL re-assay. Similar to the Kalana Main deposit, the results from the LeachWELL re-assay program at Kalanako have demonstrated that the original Fire Assay results understated the grade approximately 40%.

Kalanako LeachWELL 2 kg Re-Assay

	New re-assays*	Total	% database	% database >0.5 g/t Au
March 2015	2,267	2,267	7.8%	86.4%

*excludes duplicates and QA/QC samples

RC and Diamond Drillhole LeachWELL Sampling & Assaying Protocol

The RC witness samples had been stored in a covered warehouse and kept in rice bags and sealed with drillhole number and date. Before shipment to the Ouagadougou laboratory, the samples are verified, re-bagged, and split using a Jones Riffle Splitter to obtain a weight below 5 kg. This work was performed by SOMIKA between June 2013 and December 2013.

The diamond drillhole pulp rejects were prepared by the SGS laboratory in Bamako and subsequently returned to Kalana prior to assaying. The pulp reject samples are stored in a locked and secure building.

Following sample delivery to BigsGlobal laboratory the protocol is:

- The RC sample (<5 kg) was crushed (to 2 mm) and split using a rotary splitter to obtain a sample of approximately 2 kg. The reject was stored back in the original bag and then returned to Kalana for storage.
- The ~2 kg RC sample was fully pulverised (90% pass 75 µm) with an LM2 pulveriser (double bowl and recombined in bottle). The tail from the leach process was washed, dried, re-pulverised and assayed using 50 g Fire Assay for gold.
- The diamond drillhole sample was split using a rotary splitter to obtain a ~2 kg sample, the reject was then stored back in the original bag and then returned to Kalana for storage.
- CRM were inserted at the rate of 1:20 or 5% (two CRMs each time, 1 for LeachWELL, 1 for the Fire Assay on the tail) and coarse blank material (2 kg) was included at a rate of 1:20 samples (5%). A large range of CRMs were utilised to cover the range of material types including

oxide, quartz, and sulphide matrix composition. The blank material was made of sandstone from the Bamako cliff, prepared, and certified by ALS Chemex in Bamako.

Internal BigsGlobal QA/QC included grind sizing testing by a screen test, and internal CRMs for LeachWELL and Fire Assay and duplicates. The assay results were evaluated as received and validated before reporting. The Company's senior geologists made several laboratory visits during the process.

LeachWELL QA/QC

LeachWell samples are subject to industry standard procedures for quality assurance and quality control. Assay results are monitored by Avnel in real time and they include laboratory visits by Kalana personnel on regular intervals. Both the RC samples and the diamond drillhole pulp reject samples sent to the BigsGlobal laboratory included blanks and CRMs inserted at nominal rates reflective of industry standards. The LeachWell assay process is also monitored through the internal blanks, CRMs, and duplicate analyses utilised by the BigsGlobal laboratory.

CRMs were sourced from Rocklabs Ltd. (New Zealand) have been inserted by Avnel at the industry standard rate of 1:20 (5%). All CRMs are certified for gold and are classified as oxide or fresh. Avnel utilised 13 different CRM's ranging in values from 0.201 g/t Au to 30.25 g/t Au, which covered the expected ranges for the re-assay samples submitted.

Quality assurance programs were used by BigsGlobal to test LeachWELL and Fire Assay accuracy by repeat assaying of pulverised samples (second solution in LeachWell), second split duplicate assaying of pulps (Fire Assay on tails), insertion of standard reference samples and blank samples. Repeat analyses are performed routinely by BigsGlobal on approximately 3.6% of assays submitted; second split duplicate assaying of pulps on approximately 5%, 4.6% of blanks (including preparation blanks and analytical blanks) and 7.1% of CRMs.

Turnaround performance and receipt of sample submissions is also documented.

Specific Gravity Data

During the 2010 to 2012 period, approximately 9,475 specific gravity measurements on Kalana Main cores and 1,236 specific gravity measurements on Kalanako cores were taken by IAMGOLD using a standard weight-in-air and weight-in-water technique. The samples were selected by IAMGOLD geological technicians in the core shack and measured in IAMGOLD's preparatory laboratory on the site. Samples selected for specific gravity measurements comprised a 200 g to 500 g piece of half core taken approximately every 5 m downhole. Specific gravity was measured on all rock types and states of weathering. Saprolite samples were wrapped in thin clingfilm plastic.

Metallurgy

The underground Kalana Gold Mine was operated from 1985 to 1991, as part of a Soviet Union state-aid program to Mali, and was brought back into production in 2004 by the Company. As a result, there is a large database of operating data. The mine has only ever utilised gravity methods

to recover gold. The Company currently budgets average gravity recovery of 80% from the underground mine at a head grade of 6 g/t Au.

Recent test work reports that the Mill Grinding Work Index for saprolite, transitional saprock, and fresh rock is within in a range of 11 kilowatt-hours per tonne ("kwh/t") to 25 kwh/t based upon a grind size of 80%-passing 75 microns (an increase from 17 kwh/t utilised in the PEA). Recent studies report that average gold recovery, at an average diluted head grade of 3.1 g/t Au, utilizing combined conventional gravity and carbon-in-leach ("CIL") of 94% in fresh rock and 95% in saprolite are achievable. This is a slight improvement over the average gold recovery of 93% utilised in the PEA. Operating experience from the Kalana Gold Mine between 2005 and 2014 has demonstrated that recoveries of between 80% and 92% utilizing gravity methods alone are achievable.

Based upon recent test work, average cyanide and lime consumption are approximately 0.5 and 1.8 kilograms per tonne of material, respectively.

The Company and its consultants have determined that there may be significant opportunities to optimise the metallurgical test work and process plant design, particularly within the harder fresh rock. Accordingly, the Company has expanded the metallurgical work program in support of the DFS to include other grind specifications to determine processing costs, pre-production capital, and gold recovery estimates. The results of this analysis and the associated trade off studies are scheduled to be completed in the fourth quarter of 2015.

Mineral Resource Estimation

The March 2014 Mineral Resource Estimate Summary

In conjunction with the PEA, Snowden prepared a new Mineral Resource estimate for the Kalana Main deposit (the "March 2014 MRE"). The March 2014 MRE is based on information collated from extensive drilling within Kalana Main deposit and underground workings at the Kalana Gold Mine.

The in situ Mineral Resources in the March 2014 MRE for the Kalana Main PEA gold deposit contains:

- 1.25 million ounces of gold in the Indicated Mineral Resource category (8.5 million tonnes grading 4.53 g/t Au at a 0.9 g/t Au cut-off)
- 0.25 million ounces of gold in the Inferred Mineral Resource category (2.1 million tonnes grading 3.76 g/t Au at a 0.9 g/t Au cut-off)

Snowden used Multiple Indicator Kriging ("MIK") to estimate grades and the Mineral Resources are reported above a cut-off grade of 0.9 g/t Au. This cut-off grade was defined as an output of the PEA based upon a gold price of \$1,110 per ounce, pit slope angles ranging from 37 to 45 degrees, and estimated costs and gold recoveries based upon the PEA specifications. No Mineral Resources were reported outside of this optimised pit shell.

The March 2015 MRE is summarised in the following table:

Kalana Main Project Mineral Resource Estimate – March 2014 MRE

	Indicated Resources			Inferred Resources		
	Tonnes (millions)	Grade (g/t Au)	Ounces (millions)	Tonnes (millions)	Grade (g/t Au)	Ounces (millions)
Kalana Main	8.5	4.53	1.25	2.1	3.76	0.25
Kalana Tailings	0.66	1.8	0.04			
Total	9.2	4.33	1.29	2.1	3.76	0.25

Notes to the Mineral Resources:

1. 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 in this AIF were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.
2. (The quantity and grade of reported Inferred Mineral Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Mineral 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.
3. Unless stated otherwise, tonnages are metric tonnes and are rounded to the closest "0.0" million tonnes. Grades are rounded to the closest "0.00" and contained gold is reported as troy ounces. All reported grades and tonnes are prior to dilution.
4. Mineral Resources for Kalana are reported above a cut-off of 0.9 g/t Au and were estimated by Ivor W.O. Jones, who is recognized as a Qualified Person for the purposes of NI 43-101. Grades were estimated using Multiple Indicator Kriging (MIK).
5. Contained metal figures and totals may differ due to rounding of figures.
6. The Kalana Main Pit and Mineral Resource estimate is at 31 March 2014. Mineral Resources are disclosed on a total project basis at 100% and at an implied net interest of 80% to Avnel Gold, which owns an 80% equity interest in SOMIKA, the Malian company that holds the Kalana Exploitation Permit.

The March 2014 MRE is based upon 132,392 m of drilling from 771 holes drilled since 2009. The March 2014 MRE is superseded by the September 2014 MRE that was announced on October 15, 2015 and the March 2015 MRE that are detailed below.

In addition to the pit-constrained Mineral Resource estimate for the Kalana Main deposit, there is an Indicated Mineral Resource of 0.04 million ounces (0.66 million tonnes grading 1.8 g/t Au) associated with historic tailings that is described in the section below titled "The Tailings Mineral Resource Estimate Summary".

September 2014 Mineral Resource Estimate Summary

On October 15, 2014, the Company announced an updated Mineral Resource estimate at the Kalana Main Project with an effective date of September 30, 2014 (the "September 2014 MRE") that supersedes the March 2014 MRE summarised previously.

The highlights of the September 2014 MRE are:

- Total Indicated Mineral Resource increased to 1.94 million ounces of gold (13.6 million tonnes grading 4.36 g/t Au at a 0.9 g/t Au cut-off)
- Total Inferred Mineral Resource decreased to 0.10 million ounces of gold (0.7 million tonnes grading 4.24 g/t Au at a 0.9 g/t Au cut-off)
- Diluted Indicated Mineral Resource of 1.96 million ounces of gold at the Kalana Main deposit (19.7 million diluted tonnes at a diluted grade of 3.10 g/t Au)

The September MRE is summarised in the following table:

Kalana Main Project Mineral Resource Estimate – September 2014 MRE

	Indicated Resources			Inferred Resources		
	Tonnes (millions)	Grade (g/t Au)	Ounces (millions)	Tonnes (millions)	Grade (g/t Au)	Ounces (millions)
Kalana Main	12.9	4.57	1.90	0.7	4.24	0.1
Kalana Tailings	0.66	1.8	0.04			
Total	13.6	4.36	1.94	2.18	5.33	0.38

Notes to the Mineral Resources:

1. The Kalana Main Pit and Mineral Resource estimate is at 30 September 2014. Mineral Resources are disclosed on a total project basis at 100% and at an implied net interest of 80% to Avnel Gold, which owns an 80% equity interest in SOMIKA, the Malian company that holds the Kalana Exploitation Permit.
2. Indicated and Inferred Mineral Resources for the Kalana Main deposit are based upon a \$1,110 per ounce gold price, pit slope angles ranging from 37 to 45 degrees, and estimated costs and gold recoveries based upon the PEA specifications.
3. 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.
4. Unless stated otherwise, tonnages are metric tonnes and are rounded to the closest "0.0" million tonnes. Grades are rounded to the closest "0.00" and contained gold is reported as troy ounces. All reported grades and tonnes are prior to dilution.
5. No cut-off has been applied to the tailings as all tailings are proposed to be treated according to the PEA Technical Report.
6. Mineral Resources for Kalana are reported above a cut-off of 0.9 g/t Au and were estimated by Ivor W.O. Jones, who is recognized as a Qualified Person for the purposes of NI 43-101. Grades were estimated using Multiple Indicator Kriging (MIK).
7. 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 factors. These Mineral Resources are reported using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), 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.
8. For additional technical information, please refer to the NI 43-101 compliant technical report dated 31 March 2014 that is available on SEDAR and the Avnel news release dated 15 October 2014.

The September 2014 MRE is based upon a total of 133,679 m of drilling from 800 drill holes. Data added to the database since the March 2014 MRE includes 4,683 LeachWELL re-assays and the addition of three Ashanti Gold RC drill holes, four SOMIKA RC drill holes, and 20 Russian diamond drill holes totaling 1,287 m. The additional drill holes are all located on the western portion of the Kalana Main deposit. The September 2014 MRE utilizes MIK to estimate grades and Mineral Resources are reported at the same 0.9 g/t Au economic cut-off developed as part of the PEA and utilised for reporting the March MRE so that the results are comparable.

As a result of the inclusion of this additional data and enhanced interpretation and estimation techniques, refined geological and grade-tonnage models were generated that have increased the confidence in the model of gold mineralisation of the Kalana Main deposit. As a result, undiluted pit-constrained Indicated Mineral Resources at the Kalana Main deposit increased 52% to 1.90 million ounces (12.9 million tonnes grading 4.57 g/t Au) relative to the March 2014 MRE, which is primarily attributable to a 52% increase in tonnes. The Indicated Mineral Resource estimate for the historic tailings from the Kalana Gold Mine is unchanged at 0.04 million ounces (0.66 million tonnes grading 1.8 g/t Au). Collectively, the September 2014 MRE represents a 48% increase in total Indicated Mineral Resources tonnes, for a total increase of 50% to 1.94 million ounces (13.6 million tonnes grading 4.36 g/t Au) at the Kalana Project relative to the March 2014 MRE.

Similarly, Inferred Mineral Resources at the Kalana Main deposit declined 60% to 0.1 million pit-constrained ounces (0.7 million tonnes grading 4.24 g/t Au) relative to the March 2014 MRE, which is attributable to a 67% decline in tonnes that is partially offset by a 13% increase in grade.

The following table compares the September 2014 MRE to the March 2014 MRE:

Mineral Resource Estimate Comparison for the Kalana Main Project^{1,2} (100% Project Basis Reported at a 0.9 g/t Au cut-off utilizing \$1,110/oz)									
	September 2014 MRE			March 2014 MRE			% Change		
	Tonnes (millions)	Grade (g/t Au)	Ounces (millions)	Tonnes (millions)	Grade (g/t Au)	Ounces (millions)	Tonnes	Grade	Contained Ounces
INDICATED MINERAL RESOURCES									
Kalana Main	12.9	4.57	1.90	8.5	4.53	1.25	52%	1%	52%
Tailings ³	0.66	1.8	0.04	0.66	1.8	0.04	0%	0%	0%
TOTAL	13.6	4.36	1.94	9.2	4.33	1.29	48%	1%	50%
INFERRED MINERAL RESOURCES									
Kalana Main	0.7	4.24	0.10	2.1	3.76	0.25	-67%	13%	-60%

1 – Avneel has 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

3 – The Kalana tailings are reported at no cut-off as they are expected to be completely mined and reprocessed as per the PEA

In addition, extensive studies to model and evaluate potential dilution were undertaken as part of the Mineral Resource estimation process for the September 2014 MRE. These studies have improved the understanding of the constraints and mining selectivity in the model, which has resulted in an increase in the confidence of these modifying factors relative to the March MRE. Pit optimisation was then used to constrain the diluted September 2014 MRE using the same optimisation parameters utilised in the PEA.

The percentage of internal and external dilution and grade was modelled from drilling data and an extensive evaluation of significant intersections (composited intersections that met or exceeded the cut-off criteria inclusive of internal dilution) for the September 2014 MRE. As a result of this modelling, the average internal dilution is estimated at 16% at an average grade of 0.30 g/t and the average external dilution is estimated at 34% at an average grade of 0.26 g/t in the September 2014 MRE. The product of the internal and external dilution estimates equates to an average global dilution estimate of 55% at an average grade of 0.27 g/t Au, which is comparable with the 50% global dilution assumption at an average grade of 0.20 g/t Au utilised in the PEA.

The addition of local dilution resulted in a portion of the model being below the 0.9 g/t Au cut-off grade and excluded from the Mineral Resource. The resultant pit-constrained and diluted Indicated Mineral Resource above the diluted cut-off grade of 0.9 g/t Au, utilizing the same modifying factors as the PEA, is estimated at 19.7 million tonnes grading 3.10 g/t Au (diluted) containing 1.96 million ounces in the September 2014 MRE, as detailed in the following table:

Kalana Main Mineral Resource Diluted Estimate – September 2014 (100% Project Basis Above a Diluted Grade of 0.9 g/t Au)									
	Resource Tonnes	Resource Grade	Internal Dilution	External Dilution	Grade Internal Dilution	Grade External Dilution	Diluted Tonnes	Diluted Grade	Ounces Gold
	(millions)	(g/t Au)	(%)	(%)	(g/t Au)	(g/t Au)	(millions)	(g/t Au)	(millions)
Indicated Resource	12.7	4.57	16%	34%	0.30	0.26	19.7	3.10	1.96

This diluted Kalana Main Indicated Mineral Resource of 1.96 million ounces, combined with the 0.04 million ounces (0.66 million tonnes grading 1.8 g/t Au) of Indicated Mineral Resource from historic tailings, equates to a total Indicated Mineral Resource of 2 million ounces (20.4 million tonnes grading 3.06 g/t Au). Information pertaining to the historic tailings is provided in the section below titled “The Tailings Mineral Resource Estimate Summary”.

March 2015 Mineral Resource Estimate Summary

On March 26, 2015, the Company reported the March 2015 MRE, an updated Mineral Resource Statement for the Kalana Project effective March 19, 2015, that supersedes the Mineral Resource estimates summarised previously.

The highlights of the March 2015 MRE are:

- Diluted Indicated Mineral Resource of 2.17 million ounces at the Kalana Main deposit (22.1 million diluted tonnes at a diluted grade of 3.06 g/t Au at a 0.9 g/t Au cut-off)
- Total Indicated Mineral Resources of 2.15 million ounces (15.2 million tonnes grading 4.40 g/t Au at a 0.9 g/t Au cut-off)
- Total Inferred Mineral Resource of 0.38 million ounces (2.18 million tonnes grading 5.33 g/t Au at a 0.9 g/t Au cut-off)

The March 2015 MRE is summarised in the following table:

	Indicated Resources			Inferred Resources		
	Tonnes (millions)	Grade (g/t Au)	Ounces (millions)	Tonnes (millions)	Grade (g/t Au)	Ounces (millions)
Kalana Main	14.5	4.52	2.11	1.8	5.28	0.31
Kalanako				0.38	5.55	0.07
Kalana Tailings	0.66	1.8	0.04			
Total	15.2	4.40	2.15	2.18	5.33	0.38

Notes to the Mineral Resources:

1. The Kalana Main pit and Kalanako pit Mineral Resource estimates are as at 19 March 2015. The Kalana Tailings Mineral Resource estimate is as at 31 March 2014. 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. The determination of pit-constrained Mineral Resources at Kalana Main are based upon a gold price of \$1,100 per ounce and a 1.2 million tonne per annum mining operation; pit slope angles ranging from 37 to 50 degrees; estimated base mining cost at surface ranging from \$2.23 to \$3.25 per tonne mined, estimated processing, grade control, and G&A costs ranging from \$20.02 to \$26.91 per tonne of ore; and a range of gold recoveries averaging 94%
3. Unless stated otherwise, tonnages are metric tonnes and are rounded to the closest "0.0" million tonnes, grades are rounded to the closest "0.00", and contained gold is reported as troy ounces. All reported grades and tonnes are prior to dilution.
4. Mineral Resources for the Kalana Main and Kalanako deposits are reported above a cut-off of 0.9 g/t Au and were estimated by Ivor W.O. Jones, who is recognised as a Qualified Person for the purposes of NI 43-101. Grades were estimated using Multiple Indicator Kriging (MIK).
5. No cut-off has been applied to the tailings as all tailings are proposed to be treated according to the PEA.
6. 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 factors. These Mineral Resources are reported using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), 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.
7. 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 Mineral 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.

A comparison between to the March 2015 MRE to the September 2014 MRE is presented in the following table:

Mineral Resources Comparison for the Kalana Project									
March 2015 MRE vs. September 2014 MRE^{1,2}									
(100% Project Basis Reported at a 0.9 g/t Au cut-off)									
	March 2015 MRE			September 2014 MRE			Change		
	(\$1,100/oz Au)			(\$1,110/oz Au)			(%)		
	Tonnes (millions)	Grade (g/t Au)	Ounces (millions)	Tonnes (millions)	Grade (g/t Au)	Ounces (millions)	Tonnes (%)	Grade (%)	Ounces (%)
INDICATED MINERAL RESOURCES									
Kalana Main	14.5	4.52	2.11	12.9	4.57	1.90	12%	-1%	11%
Tailings ³	0.66	1.8	0.04	0.66	1.8	0.04	0%	0%	0%
TOTAL	15.2	4.40	2.15	13.6	4.36	1.94	12%	1%	11%
INFERRED MINERAL RESOURCES									
Kalana Main	1.8	5.28	0.31	0.7	4.24	0.1	157%	25%	210%
Kalanako	0.38	5.33	0.07	-	-	-	-	-	-
Total	2.2	5.33	0.38	0.7	4.24	0.1	211%	26%	279%

1 – Avnel Gold has 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

3 – The Kalana tailings are reported at no cut-off as they are expected to be completely mined and reprocessed as per the PEA Technical Report

As a result of the inclusion of additional 6,185 LeachWELL re-assays to the model since the September 2014 MRE, undiluted pit-constrained Indicated Mineral Resources at the Kalana Main deposit have increased 11% to 2.11 million ounces (14.5 million tonnes grading 4.52 g/t Au), which is primarily attributable to a 12% increase in tonnes at the Kalana Main deposit. The Indicated Mineral Resource estimate for the historic tailings from the Kalana Gold Mine is unchanged at 0.04 million ounces (0.66 million tonnes grading 1.8 g/t Au). Collectively, this represents an 11% increase in total Indicated Mineral Resources to 2.15 million (15.2 million tonnes grading 4.40 g/t Au) at the Kalana Project, which is primarily attributable to a 12% increase in tonnes.

Similarly, Inferred Mineral Resources at the Kalana Main deposit have increased 210% to 0.31 million pit-constrained ounces (1.8 million tonnes grading 5.28 g/t Au) since the September 2014 MRE, which is attributable to a 157% increase in tonnes and a 25% increase in grade. Combined with the initial Mineral Resource of 70,000 ounces for the Kalanako deposit (0.38 million tonnes grading 5.33 g/t Au), this equates to a total Inferred Mineral Resource of 0.38 million ounces (2.2 million tonnes grading 5.33 g/t Au) for the Kalana Project.

As discussed previously, an important contribution to the Mineral Resource estimation process since the PEA is an improvement to the estimation of dilution. As detailed in the table below, the resultant pit-constrained and diluted Indicated Mineral Resource above the diluted cut-off grade of 0.9 g/t Au is estimated at 22.1 million tonnes grading 3.06 g/t Au (diluted) containing 2.17 million ounces with an estimated global dilution of 52%:

Kalana Main Deposit Mineral Resource Diluted Estimate – March 2015^{1,2}									
(100% Project Basis Above a Diluted Grade of 0.9 g/t Au)									
	Resource Tonnes	Resource Grade	Internal Dilution	External Dilution	Grade Internal Dilution	Grade External Dilution	Diluted Tonnes	Diluted Grade	Ounces Gold
	(millions)	(g/t Au)	(%)	(%)	(g/t Au)	(g/t Au)	(millions)	(g/t Au)	(millions)
Indicated Resource	14.5	4.52	17%	30%	0.39	0.24	22.1	3.06	2.17

1 – Avneel Gold has an 80% equity interest in SOMIKA, the Malian company that owns the Kalana Exploitation Permit

2 – The above assessment of dilution is reported following depletion from historical production

The diluted Kalana Main deposit Indicated Mineral Resource of 2.17 million ounces, combined with the 0.04 million ounces of Indicated Mineral Resource from historic tailings, results in a total Indicated Mineral Resource at the Kalana Main Project of 2.2 million ounces (22.8 million diluted tonnes at a diluted grade of 3.02 g/t Au).

The Tailings Mineral Resource Estimate Summary

The quantity and grade of tailings is compiled from a combination of the evaluation of the tailings Mineral Resource in June 2004, with the addition of tailings since 2005 (tonnes and grade as measured from production). In May 2004, a sampling programme was completed on the 1985 to 1991 Russian tailings facility. The sampling was performed by using an auger and taking 1 m vertical samples on a grid of 10 m by 10 m. The tonnage of the tailings dam has been estimated from the historical production records with the addition of the tailings from ore milled in the period January to June 2004. No survey measure of the tailings dam is possible as there is no survey record of the original topographic base for the dam available. The average sample gold grade for the tailings dam

was used for the June 2004 Mineral Resource estimate. The tailings Mineral Resource at that time was reported as 234,000 tonnes at 1.9 g/t Au in the Measured Mineral Resource category.

Since July 2004, the tonnes and grade of added material to the tailings dam has been measured from the output from production. This has been reported as 421,000 tonnes at 1.73 g/t Au containing approximately 23,400 ounces.

In 2012, IAMGOLD sampled the tailings dams on a grid of between 10 m by 10 m and 20 m by 20 m (depending on location) with an average depth of 3.6 m and maximum depth of 5 m. Whilst this sampling did not always reach the base of the tailings, the assays for the samples indicate the grade for the tailings Mineral Resource are conservative and support the confidence that the grades in the Mineral Resource are achievable.

The Mineral Resources for the Kalana tailings (no grade cut-off applied) are 0.04 million ounces of gold the Indicated Mineral Resource category in historic and active tailings (0.66 million tonnes grading 1.80 g/t Au) as summarised in the following table:

Kalana Gold Mine Tailings Mineral Resource Estimate - March 2014 MRE

Resource Category	Tonnes (millions)	Grade (g/t Au)	Contained Gold (millions of ounces)
Indicated	0.66	1.80	0.04

Notes to the Mineral Resource:

1. The Kalana Tailings Mineral Resource estimate is as at 31 March 2014. 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. Unless stated otherwise, tonnages are metric tonnes and are rounded to the closest "0.0" million tonnes, grades are rounded to the closest "0.00", and contained gold is reported as troy ounces. All reported grades and tonnes are prior to dilution.
3. No cut-off has been applied to the tailings as all tailings are proposed to be treated according to the PEA.
4. 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 factors. These Mineral Resources are reported using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), 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.

Snowden is of the opinion that the confidence in the estimation of the tailings Mineral Resource is sufficient so that it may be classified as an Indicated Mineral Resource.

The Mineral Resource estimate reported for the historic tailings is unchanged from the March 2014 MRE as of the date of this AIF.

Kalana Main September 2014 Exploration Target

An iteration of the optimisation process for the September 2014 MRE was a pit shell that included mineralisation down to the bottom of the model (the "September 2014 Conceptual Pit"), approximately 400 m below surface, whereas the maximum pit depth used to constrain the September 2014 MRE is approximately 330 m. Accordingly, the Exploration Target is defined as the portion of the model between the September 2014 MRE pit shell and the 2014 Conceptual Pit.

This Exploration Target, which is outside the March 2015 MRE is estimated to be between 8.3 and 8.8 million tonnes grading between 4.2 and 4.9 g/t Au for an estimated 1.1 to 1.4 million ounces of contained in situ gold.

The aforementioned assessment of potential quantity and grade is conceptual in nature and there has not been sufficient exploration to define a Mineral Resource and the preliminary economics are not sufficient to support a reasonable expectation for economic extraction. It is uncertain if further exploration will result in any portion of the Exploration Target being delineated as a Mineral Resource.

This Exploration Target is largely based upon Fire Assay assay results and a wide spacing of drill holes. As a result, confidence in this part of the model is not sufficient to define a Mineral Resource and therefore is defined as an Exploration Target rather than as part of the Mineral Resource for the Kalana Main deposit.

This Exploration Target has been superseded by the Exploration Target defined as part of the evaluation process for the March 2015 MRE, which is detailed below.

Kalana Main March 2015 Exploration Target

An iteration of the Whittle 4X evaluation process for the March 2015 MRE was a pit shell that included mineralisation down to the bottom of the model to approximately 400 m below surface (the "March 2015 Conceptual Pit"). Accordingly, the Exploration Target is defined as the portion of the model between the March 2015 MRE pit shell and the March 2015 Conceptual Pit.

This Exploration Target, which is outside the March 2015 MRE, is estimated to be between 5.3 and 6.6 million tonnes grading between 3.9 and 4.7 g/t Au for an estimated 0.7 to 1.0 million ounces of contained gold.

The aforementioned assessment of potential quantity and grade is conceptual in nature and there has not been sufficient exploration to define a Mineral Resource and the preliminary economics are not sufficient to support a reasonable expectation for economic extraction. It is uncertain if further exploration will result in any portion of the Exploration Target being delineated as a Mineral Resource.

This Exploration Target is largely based upon LeachWELL re-assay results and a wide spacing of drill holes. As a consequence of the wide spacing of drill holes, confidence in this part of the model is not sufficient to define a Mineral Resource and therefore is defined as an Exploration Target rather than as part of the Mineral Resource for the Kalana Main deposit. As a result, this Exploration Target represents additional potential upside to the Kalana Main deposit to be further defined in future exploration and evaluation programs.

Kalana Main Preliminary Economic Assessment

The Kalana Main PEA contemplates an open pit mining using small-scale mining equipment to selectively mine the economic quartz and associated inter-vein mineralisation with larger equipment to remove waste material.

A pit optimisation was completed for Kalana Main Mineral Resource based upon the March 2014 Snowden resource model and optimisation parameters that are typical for the scale and style of the operation and its location, which are described below. No limitations were applied to mining adjacent to the Village of Kalana that lies to the south and southeast of the pit. The preliminary pit shells were generated with no dilution.

To account for dilution and losses during the mining process, the Mineral Resource had a 50% tonnage modifying factor at a grade of 0.2 g/t Au and a mining recovery modifying factor between 92.5% and 95% applied in the mine production schedule. Inferred and Indicated Mineral Resources, which were constrained by the optimised open pit, were included in the mine production schedule. The tailings Mineral Resource will be recovered and processed in the first year of production.

A single pit shell was selected for design and scheduling on the basis of maximum NPV utilizing a gold price of \$1,110 per ounce. Open pit mining was envisioned as conventional free-dig in the oxide zones and drill and blast in the saprock and fresh rock. The selective nature of the mineralised veins will require high levels of grade control and geological direction and the fleet will consist of small trucks and excavators. A conceptual pit was designed to comply with overall slope criteria of 37° in saprolite and 45° in fresh rock.

The proposed open pit covers the full footprint of the existing Kalana underground mine infrastructure. The two vertical shafts that provide access to the underground workings, the offices, the gold plant, and other buildings will be reclaimed prior to open pit mining. The open pit impacts a portion of the northern part of the Village of Kalana and about 300 houses will need to be relocated.

High-level annualised mining schedules were prepared for the PEA using linear-programming software to maximise project value, which yielded a three-stage open pit containing 15.1 million tonnes at 3.2 g/t Au and 128 million tonnes of waste plus 655,000 tonnes of tailings at 1.8 g/t Au. Higher grade mineralisation is preferentially processed and excess lower grade mineralisation stockpiled and processed later. The vertical mining rate has been limited to 30 m per year. No limits were placed on the amount of lower grade material that could be placed on the stockpile. All low-grade mineralisation (<0.9 g/t Au after dilution) was considered to be waste. In practice, this lower grade material may have some value and would be stockpiled separately from unmineralised waste.

Waste rock will be dumped immediately east of the pit in an area that currently contains the explosives magazine and existing tailings dam. The Kalanako stream will be controlled by dams with the overflow diverted further to the northeast. A portion of the unsealed road between Kalana and Yanfolila will be rerouted to the east. It is currently planned to locate the process plant and a new tailings storage facility in open ground to the west of the pit.

The PEA considers a new gold plant, ROM stockpiles, administration buildings, assay laboratory, store magazine, medical clinic, workshops, diesel storage farm, and mining contractor facilities. An accommodation camp for 50 senior staff on a single status basis is proposed. A second camp will be constructed for contractors during construction and then occupied by 110 junior staff after commissioning.

A new 1.2 million tonnes per year (3,000 tpd) conventional gravity and CIL process plant achieving 93% gold recovery for the pit and 83% for tailings that will be commissioned following a two-year construction period. The plant flow sheet and design is expected to be similar to many process plants worldwide and is typical for similar gold mineralisation in West Africa.

Average gold recovery of 93% using a combination of conventional gravity recovery and CIL at a grind size of 80% passing 75 microns has been used in the PEA for material from the open pit. Recent test work subsequent to the PEA has shown that average gold recovery of up to 95% is

achievable and additional test work is underway at different grind sizes to determine if the results may be further optimised. Gold recovery from the tailings is estimated at 83%.

The PEA outlines a potential 14-year open pit mine life recovering approximately 1.46 million ounces recovering an average of 138,000 ounces gold per year for the first four years and then 98,000 ounces gold per year over the remaining life of mine.

The total capital cost estimated in the PEA is \$188 million comprising:

- \$134 million plant, mine services and infrastructure;
- \$15 million capitalised pre-strip;
- \$29 million sustaining capital and community infrastructure costs; and
- An allowance of \$10 million for mine closure, net of salvage costs.

The PEA capital cost estimate includes a 20% contingency, with the exception of the pre-strip, sustaining capital, and closure costs, which are estimated with no contingency.

The PEA assumes the use of a mining contractor over the life of the mine at an estimated average cost of \$3.32 per tonne mined. Processing and administration costs are estimated to average \$16.37 and \$4.50 per tonne processed over the life of the mine, respectively. The total site cash operating over the life of the mine is \$51.16 per tonne of ore processed or \$551 per ounce produced in the PEA. The PEA also considers the 3% NSR and selling costs, which are excluded from total site cash operating costs.

Using a discount rate of 10% and a gold price assumption of \$1,110 per ounce, the Kalana Main Project has a reported project NPV (after allowance for tax and imputed interest) of approximately \$194 million and an IRR of 53% after accounting for all operating costs, capital expenditures, tax, imputed interest, and royalty payments on a 100% project basis in the PEA. The determination of NPV and IRR are from the commencement of construction and do not include any costs associated with competing a DFS or any other technical studies or work programs that may need to be completed. Payback on construction capital and pre-production costs is expected to be 2 years after the start of production. The base case results and gold price sensitivity of the Kalana Main Pit PEA as reported by Snowden are summarised in the following table:

Kalana Main PEA Project NPV and IRR Sensitivity Table (100% Project Basis)

Gold Price (\$/oz)	NPV (5%)	NPV (10%)	IRR
1,110	\$276 million	\$194 million	53%
1,300	\$424 million	\$306 million	74%

Mineral Reserves

There are no open pit or underground Mineral Reserves on the Kalana Exploitation Permit as of the date of this AIF. The PEA referenced in this AIF is preliminary in nature and includes the use of Inferred Mineral Resources that are considered too speculative geologically to have reliable technical and economic considerations applied to them that would enable them to be categorised as Mineral Reserves. There is no certainty that the PEA will be realised and actual results may vary,

perhaps materially. Mineral Resources that are not Mineral Reserves do not have demonstrated economic and technical viability.

Under the prevailing gold price environment, the underground Kalana Gold Mine is not profitable and continues to be operated principally for exploration purposes and to maintain socio-economic stability in the local community. The Company plans to continue underground mining through the completion the DFS to enable a smooth transition for the workforce from the small, Soviet-era, underground mine to a new and significant open pit mining operation.

THE FOUGADIAN PROJECT

Project Description and Location

The Fougadian Project is located immediately south of the Kalana Project.

Access, Climate, Communication, and Power

Given the Fougadian Permit's close proximity to the Kalana Project, it benefits from much of the same regional infrastructure. The climate and terrain is also similar to that of the Kalana Project. Communication is provided via cellular phone, satellite phone, and radio with the Kalana Gold Mine. At the Zambala exploration camp, which was established by IAMGOLD in 2013 and turned over to the Company in late 2014, power is provided by diesel fuel and potable water is sourced from wells within the camp. The Zambala exploration camp is currently on care and maintenance.

History

In 2006, Avnel was awarded an exploration permit that covered an area of 150 km² immediately south of the Kalana Exploitation Permit.

In the first quarter of 2010, Avnel relinquished the southern half of this permit (the "Fougadian South Permit"), in accordance with the 1999 Mining Code, and was granted a new exploration licence on the northern half of the permit (the "Fougadian North Permit"). Also in 2010, Avnel and IAMGOLD entered into a Joint Venture Arrangements Agreement whereby IAMGOLD had the option to acquire up to an initial 51% interest in Avnel's 90% interest in the Fougadian North Permit.

In 2012, IAMGOLD was granted an exploration permits covering the Manankoulou Permit and the neighbouring Fougadian South Permit, which was originally granted to Avnel in 2006 and subsequently released in 2010. Both permits were granted to IAMGOLD for three years, renewable twice.

Permits

In the fourth quarter of 2014, the Company reported that IAMGOLD had exited the Fougadian joint venture arrangement and that control of the Fougadian South Permit and the Manankoulou Permit passed to Avnel. The Fougadian South Permit and Manankoulou Permit expire in 2015 and are eligible for renewal.

The Fougadian North Permit was subsequently renewed in 2012 for a period of two years that expired in December 2014.

Hereinafter, the Fougadian North, Fougadian South, and Manankoulou permits are collectively referred to as the "Fougadian Exploration Permit" unless the context is stated otherwise.

Ownership

The Fougadian South and Manankoulou permits are 100% controlled by the Company through its 100% owned subsidiary, Avnel Mali SARL. However, in accordance with the Malian Mining Code, if a decision is made to develop a mine on the permit, Avnel will have a 90% interest and the Malian State will have a 10% free-carried interest, with anti-dilution rights, in the resulting exploitation permit. The Mali Government would also have the right to purchase an additional 10% interest on commercial terms.

Surface Rights

The Company currently has no surface rights on the Fougadian Exploration Permits. Under the Malian Mining Code, the surface rights necessary for a mining operation may be acquired by payment of modest statutory compensation rates to current users that is set by the Government.

Royalties

There are currently no royalties associated with the Fougadian Project. If the Company develops a mine on any of these permits, it will be subject to a 3% NSR payable to the Government of Mali in accordance with the 1999 Mining Code.

Exploration

After being awarded the Fougadian Exploration Permit in 2006, Avnel completed a study to interpret existing magnetic and radiometric data generated in 2001. The study identified two north-south striking corridors that were defined by co-incident potassium and magnetic anomalies that contained potential targets for gold exploration. Subsequently, Avnel conducted field activities that identified several prospective exploration targets.

Avnel advanced the Fougadian Exploration Permit by conducting an exploration drilling program in 2007 and 2008. The drill program was focused on the Avnel-1 gold-in-soil geochemical anomaly, also known as Maramalé, which exhibits highly anomalous gold and arsenic values and is the largest contiguous anomaly on the permit. The anomaly extends for approximately 4 km in a north-south direction and for up to 2 km in an east-west direction.

In the 2007 and 2008 drill programs, two diamond core and 48 RC drill shallow drill holes were drilled along two lines of spaced over two small areas of the Avnel-1 / Maramale anomaly that were 800 m apart. The results from the drilling program were encouraging with 15 of the 50 holes drilled intersecting mineralisation of 1 g/t Au or better.

In the fourth quarter of 2009, a modern airborne geophysics study was completed over the entire Fougadian Exploration Permit as part of a regional program conducted by IAMGOLD. The study

generated new information on magnetic, radiometric, and topographic data that was of a higher resolution than prior programs. This resulted in the identification of three principal mineral corridors coincident with 14 distinct gold anomalies (up from two corridors). Two of the corridors are sub-parallel, strike approximately north-south, and can be traced nearly continuously through the length of the property. The third corridor strikes north-northeast and south-southwest and passes through the southeastern and northeastern quadrants of the permit.

The presence of the definable 'corridors' that are approximately 20 km in length, characterised by anomalous concentrations of gold, arsenic, potassium, and copper that cross the permit from north to south is very encouraging. The anomalies present in the western north-south mineralised corridor are located close to the lithological contact between a batholith-sized granitoid body to the west and the Birimian metasediments to the east and could represent a favourable locus for hydrothermal mineralisation. The anomalies present in the central north-south mineralised corridor and the anomalies present in the eastern north-northeast and south-southwest mineralised corridor may be more related to quartz vein type gold deposits such as the Kalana Main deposit. Artisanal mining sites exposing quartz vein fragments are a significant feature of the more important gold anomalies within these mineralised corridors.

In 2010, IAMGOLD lead the exploration efforts on the Fougadian Exploration Permit as part of a new joint venture option agreement. Exploration activities conducted by IAMGOLD were principally generative fieldwork, including terminate mound sampling on a 100 m by 200 m grid that was subsequently refined to a 100 m by 100 m grid spacing over the main anomalies. A ground geophysics program was also completed over the Avnel-1 / Maramale target.

In 2013 and 2014, IAMGOLD carried out a drilling campaign on these anomalies to assess the Fougadian Permit that consisted of 550 AirCore ("AC") holes over 37,610 m to test the rooting of geochemical anomalies and 4 RC holes over 532 m to located gold corridors near encouraging AC intersections. Results of this drilling campaign showed small and scattered intersections with poor continuity.

The Company reported on October 15, 2014 that IAMGOLD had exited the Fougadian joint venture. The Company is currently assessing the technical data, studies and other documents relating to the exploration activities not previously shared with Avnel.

Geological Setting

See the section above titled "Kalana Project – Geological Setting".

Mineralisation

Similar to the Kalana Project, gold prospects on the Fougadian Exploration Permit are typically either associated with high-grade quartz veins or regional shear structures.

Mineral Resources and Reserves

There are no Mineral Resources or Reserves on the Fougadian Exploration Permit as of the date of this AIF.

RISK FACTORS

Investment in the Common Shares of Avnel are considered speculative due to the nature of the Company's business and the present stage of its development. A prospective investor should carefully consider the risk factors set out below. The following information is a summary only and should be read in conjunction with detailed information appearing elsewhere in this AIF and in Avnel's annual audited financial statements and management's discussion and analysis for the year ended December 31, 2014. These risks are not the only ones that may affect Avnel. There may be additional risks and uncertainties not currently known to Avnel, or are currently considered immaterial, that may impair the business of Avnel. If any such risks actually occur, the business or financial condition of Avnel could be materially adversely affected.

Capital Requirements

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.

The continuing operations of the Company are dependent on its ability to generate future cash flows from its mining operations or obtain additional financing. In addition, the Company will be required to raise additional capital in order to complete a DFS on the Kalana Main Project. There is a risk that additional financing will not be available on a timely basis or on acceptable terms. Management believe that financing options will continue to be available to enable the Company to continue to operate as a going concern and to proceed with its exploration and evaluation of the Kalana Project and its other properties. In the event that the Company is unable to secure additional financing, the Company will not be able to continue as a going concern, the completion of DFS on the Kalana Main Project may be materially delayed (or altogether discontinued), and material adjustments would be required to the carrying value of the assets and liabilities and the balance sheet classifications used. Following the completion of a positive DFS, the Company will be required to raise additional capital in order to develop an open pit mine on the Kalana Main Project.

The Company's cash flow is dependent on the volume of production, gold prices, operating costs, interest rates on borrowings and investments, and discretionary expenditure levels including exploration, resource development, and general and administrative costs as well as obtaining new sources of finance. With the world economy moving slowly out of recession, sources of finance may be difficult to obtain.

Avnel intends to sustain the operation of the current underground Kalana Gold Mine as long as the mine is safe and economically feasible to do so, without spending significant capital expenditure on the underground mine, until such time as a DFS on the Kalana Main Project is completed and assessed to enable the Company to better evaluate future development options for an open pit mine. Until this work is completed and a suitable development plan is identified, gold production from the Company will continue to be constrained.

Exploration, Development, and Operating Risk

The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience, and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish Mineral Reserves, to develop metallurgical processes, and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: The particular attributes of the deposit, such as size, grade, and proximity to infrastructure; metal prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted, but a combination of these factors may result in Avnel not receiving an adequate return on invested capital.

The PEA for the Kalana Main Project is, by definition, a preliminary assessment and there can be no assurance that the economic returns described in the PEA will be realised. Preliminary economic assessments are used to estimate the economic viability of a mineral deposit. The economic assessment results of the PEA are preliminary and do not reflect the same level of certainty as a PFS or DFS. The PEA includes the use of Inferred Mineral Resources, which are considered too speculative geologically to have reliable technical and economic considerations applied to them that would enable them to be categorised as Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic and technical viability. While the PEA is based on the best information available to the Company, it cannot be certain that actual costs will not significantly exceed the estimated cost. While the Company incorporates what it believes is an appropriate contingency factor in cost estimates to account for this uncertainty, there can be no assurance that the contingency factor is adequate.

Mineral Reserves previously reported by Avnel in respect of the underground Kalana Gold Mine are no longer current and should no longer be relied on due to Avnel's focus on exploration and potential development of the bulk open pit mine at Kalana Main. Avnel intends to sustain the operation of the current underground Kalana Gold Mine as long as it is safe and economically feasible to do so, without spending significant capital expenditure on the underground mine, until such time as a DFS on the Kalana Main Project is completed and assessed to enable the Company to better evaluate future development options for an open pit mine. If the DFS is positive, it is contemplated that the underground mine will close as the infrastructure of the underground mine is atop the conceptual new open pit. There can be no assurance, however, that a DFS on the Kalana Main Project will be completed or, if completed, will validate the potential for an economically viable mining operation or enable the Company to delineate any Mineral Reserves, nor is there any assurance that construction financing will be available on terms acceptable to the Company, if at all.

Avnel intends to further develop the Kalana Main Project, subject to the completion of a positive DFS and the availability of project financing. Mining operations generally involve a high degree of risk. Such operations are subject to all the hazards and risks normally encountered in the exploration, development and production of underground gold mines, including unusual and unexpected geologic formations, rock conditions, cave-ins, flooding, and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other

producing facilities, damage to life or property, environmental damage, and possible legal liability. Milling operations are subject to hazards such as equipment failure, changes in ore characteristics such as rock hardness and mineralogy that may impact production rates and gold recovery, or failure of retaining dams around tailings disposal areas that may result in environmental pollution and consequent liability.

Avnel intends to continue exploration on the Kalana Exploitation Permit and Fougadian Exploration Permit. There is no certainty that the expenditures made by Avnel will result in discoveries of commercial quantities of ore.

Uncertainty in the Estimation of Mineral Reserves and Mineral Resources

There is a degree of uncertainty to the estimation of Mineral Reserves and Mineral Resources and corresponding grades being mined or dedicated to future production. Until Mineral Reserves or Mineral Resources are actually mined and processed the quantity of Mineral Resource and Mineral Reserve grades must be considered as estimates only. In addition, the quantity of Mineral Reserves and Mineral Resources may vary depending on, among other things, metal prices. Any material change in quantity of Mineral Reserves, Mineral Resources, grade, or stripping ratio may affect the economic viability of the Company's properties. In addition, there can be no assurance that gold recoveries or other metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Fluctuation in gold prices, results of drilling, metallurgical testing, production, and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. The volume and grade of Mineral Reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of Mineral Reserves and Mineral Resources, or of Avnel's ability to extract these Mineral Reserves, could have a material adverse effect on Avnel's results of operations and financial condition.

Uncertainty Relating to Inferred Mineral Resources

There is a risk that Inferred Mineral Resources cannot be converted into Mineral Reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty associated with Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Mineral Resources with sufficient geological continuity to constitute Proven and Probable Mineral Reserves as a result of continued exploration.

Uncertainty Relating to Production Estimates

Avnel prepares estimates of future production and future production costs for particular operations at its existing underground Kalana Gold Mine. No assurance can be given that production estimates will be achieved. These production estimates are based upon, among other things, the following factors: The accuracy of historical Mineral Reserve estimates; the accuracy of assumptions regarding ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics; and the accuracy of estimated rates and costs of mining and processing.

Actual production may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to Mineral Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; risk and hazards associated with mining; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures and cave-ins; and unexpected labour shortages or strikes. Failure to achieve production estimates could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Gold Prices

The development and success of the Kalana Main Project will be, among other things, dependent on the future price of gold. The two principal uses of gold are bullion investment and product fabrication. Within the fabrication category there are a wide variety of end uses, the largest of which is the manufacture of jewelry. Other fabrication purposes include official coins, electronics, dentistry, medallions, and other industrial and decorative uses.

Gold prices are 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 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 precious metals, bulk commodities, and base metals has fluctuated widely the past 10 years, and future serious price declines could cause continued development of and commercial production of our properties to be impracticable. Depending on the price of gold, projected cash flow from planned mining operations may not be sufficient and Avnel could be forced to discontinue development and may lose its interest in, or may be forced to sell, some of its assets, including the Kalana Main project. Future production from the underground Kalana Gold Mine is dependent on gold prices that are adequate to make the project economic.

In addition to adversely affecting Avnel's financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Sales and Refining

Gold can be readily sold on numerous markets throughout the world and its market price can be readily ascertained at any time. Because there are a large number of available gold purchasers, the Company is not dependent upon the sale of gold to any one customer.

The Company's gold production is currently refined to market delivery standards by a third-party refinery. The Company believes that, because of the availability of alternate refiners, the inability of the Company's refiners to process the Company's product would not have a material adverse effect on the Company.

Cash Costs of Gold Production

Avnel's total cash operating costs to produce an ounce of gold are dependent on a number of factors, including the grade of material mined and processed, metallurgical recovery, plant throughput, consumable costs, and labour costs. In the future, the actual performance of the Company may differ from forecasted performance.

Hedging Activities

The profitability of the Company is directly related to the market price of gold. From time to time, 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 lower 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 realizing possible revenues in the event that the market price of gold exceeds the price stated in such forward sales or option contracts. In addition, the Company may experience losses if a counterparty fails to purchase gold under a contract when the contract price exceeds the spot price for the commodity.

Dependence on Limited Mining Properties

The Kalana Main Project, the Kalana Exploitation Permit, and the Fougadian Permit account for all of Avnel's Mineral Resources and the potential for the future generation of revenue. Any adverse development affecting the Company's operations such as, but not limited to, obtaining financing on commercially suitable terms, hiring suitable personnel and mining contractors, or securing supply agreements on commercially suitable terms, may have a material adverse effect on the Company's financial performance and result of operations.

Dependence on Cash Flows of Subsidiaries

Avnel is a holding company that conducts all of its operations through its subsidiaries, each of which is incorporated outside of North America. Avnel has no direct operations and no significant assets other than the shares of its subsidiaries. Therefore, Avnel is dependent on the cash flows of its subsidiaries to meet its obligations, including payment of principal and interest on any debt it incurs. The ability of Avnel's subsidiaries to provide it with payments may be constrained by the following factors:

- The level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which they operate;
- the introduction of exchange controls and repatriation restrictions or the availability of hard currency to be repatriated;
- the ownership interests of other investors in Avnel's subsidiaries, including the possible inability of SOMIKA to pay dividends and the Malian Government's priority dividend right in respect of its interest in SOMIKA; and
- restrictions on the payment of dividends under the Foundation Agreement.

If Avnel is unable to receive sufficient cash from its subsidiaries, it may be required raise funds in a public or private equity or debt offering, or sell some or all of its assets. Avnel can provide no assurances that an offering of its debt or equity can or will be completed on satisfactory terms.

Competition

Significant and increasing competition exists for attractive mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with larger, better established mining companies with substantial greater capabilities and financial and technical resources, Avnel, if it wishes, may be unable to acquire rights to exploit additional attractive exploration and mining properties on terms it considers acceptable. Accordingly, there can be no assurance that Avnel will acquire any interest in additional operations that would yield Mineral Reserves or result in commercial mining operations. If Avnel is not able to acquire such interests, this could have an adverse impact on future cash flows, earnings, results of operations, and financial condition.

In addition, the mining industry is cyclical in nature and is routinely impacted by increases and decreases in worldwide demand for critical resources such as input commodities, drilling equipment, tires, and skilled labour. Upward fluctuations may cause unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures, and production schedules.

Insurance and Uninsured Risks

Avnel's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Avnel's properties or the properties of others, delays in development or mining, monetary losses, and possibly legal liability.

Although Avnel maintains insurance to protect against certain risks in amounts it considers reasonable, its insurance will not cover all the potential risks associated with its operations. Avnel may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Avnel or to other companies in the mining industry on acceptable terms. Avnel might also become subject to liability for pollution or other hazards which may not be insured against or which Avnel may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Avnel to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Due to Malian law, which states that insurance should be contracted only with local Malian insurance companies, Avnel has not had property insurance cover 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 then re-insure the risk in Europe.

Environmental Risks and Hazards

All phases of Avnel's operations are subject to laws and regulations relating to the protection of the environment, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. 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 that may 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 at the Kalana Gold Mine that are unknown to Avnel at present and which have been caused by previous or existing owners or operators of the properties.

Government Regulation

Avnel's mineral exploitation, exploration, and planned development activities are subject to various laws governing prospecting, mining, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, and other matters. Although the Company believes that Avnel's exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Avnel's mineral rights and interests are subject to Malian Government approvals, licenses, and permits. Such approvals, licenses, and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. No assurance can be given that Avnel will be successful in maintaining any or all of the various approvals, licenses, and permits in full force and effect without modification or revocation.

Malian Government approvals and permits are currently, and may in the future be, required in connection with Avnel's operations. To the extent such approvals are required and not obtained, Avnel may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on Avnel and cause increases in exploration expenses, capital expenditures, production costs, or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Risk of International Operations

Avnel and its subsidiaries' only significant assets and operations are subject to various political, economic and other uncertainties, including, among other things, the risks of war and civil unrest, expropriation, nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, taxation policies, foreign exchange and repatriation restrictions, changing political conditions, international monetary fluctuations, currency controls and foreign governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. In addition, in the event of a dispute arising from foreign operations, Avnel may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts of its choice. Avnel also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for Avnel to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on Avnel's operations.

Political Risk

The Republic of Mali has a short democratic history having held its first democratic presidential election in 1992. On March 22, 2012 elements of the Malian army displeased with government response towards Tuareg movements in the north of the country mounted a coup to displace President Amadou Toumani Touré. A period of uncertainty extended for two weeks until the junta agreed with negotiators from the Economic Community of West African States to reinstate the constitution and cede power in exchange for the lifting of sanctions imposed by neighboring countries and the resumption of international aid. Instability persisted through the year and a second change of leadership occurred in December 2012 before elections were held in 2013.

There is no assurance that future political and economic conditions in Mali and any other countries in which Avnel may establish operations will not result in their governments adopting different policies respecting foreign ownership of Mineral Resources, taxation, rates of exchange, environmental protection, labour relations, repatriation of income or return of capital. The possibility that a future government in any of these countries may adopt substantially different policies, which might extend to the expropriation of assets, cannot be ruled out.

Mining Taxation

In Mali, the mining tax regime applicable to the Kalana Gold Mine and Concession is derived from a combination of mining and tax legislation and contractual mining conventions that include fiscal stability guarantees. The application of specific tax provisions and the stability guarantee may be subject to interpretation. In the event of a dispute, an international arbitration process may be required.

Need for Additional Mineral Reserves

Because mines have limited lives based on Proven and Probable Mineral Reserves, Avnel will be required to continually replace and expand its Mineral Reserves as its mines produce gold. Avnel's ability to maintain or increase its annual production of gold in the future may be dependent in

significant part on its ability to bring new mines into production and to expand Mineral Resources and Mineral Reserves at existing mines.

No Assurance of Titles or Boundaries

Titles to Avnel's properties may be challenged or impugned, and title insurance is generally not available. In particular, Avnel's right to the Kalana Gold Mine, the Kalana Permit and the Fougadian Exploration Permit may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, Avnel may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Estimation of Asset Carrying Values

The Company reviews its long-lived assets in property, plant and equipment for impairment in accordance with ASC Topic 360 (Property, Plant and Equipment). 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. An impairment loss is recognised for assets to be held and used when the estimated undiscounted future cash flows expected to result from the asset including ultimate disposition are less than its carrying amount. Impairment is measured by the excess of carrying amount over the fair value of the assets. With respect to properties, a test for recoverability is performed to determine if the estimated future cash flows exceed the carrying amount of the assets. Measurement of any impairment loss is determined by the estimated fair value of the assets based on the best information available, comparable asset values in the market and the use of valuation techniques. Although management has made a reasonable estimate of factors based on current conditions and information, assumptions underlying future cash flows are subject to significant risks and uncertainties. Estimates of undiscounted future cash flows are dependent upon estimates of metals to be recovered from Proven and Probable Mineral Reserves, and to some extent, identified resources beyond Proven and Probable Mineral Reserves, future production and capital costs, and estimated metals prices (considering current and historical prices, forward pricing curves and related factors) over the estimated remaining mine life. It is reasonably possible that changes could occur in the near term that could adversely affect our estimate of future cash flows to be generated from our operating properties.

Currency Risks

Avnel's revenue from financing activities is received in either United States dollars or Canadian dollars while a significant portion of its operating expenses are incurred in CFA francs and other foreign currencies. From time to time, Avnel may borrow funds and incur capital expenditures that are denominated in foreign currencies. Accordingly, foreign currency fluctuations may adversely affect Avnel's financial position and operating results.

Key Personnel

Avnel depends on a relatively small number of key employees, the loss of any of whom could have an adverse effect on Avnel. Avnel does not have key person insurance on these individuals.

Avnel requires specialist skills such as geologists, mining engineers, metallurgical engineers, electrical and mechanical engineers, financial accountants, human resource managers, and

procurement staff to operate the Kalana Gold Mine and conduct exploration on the Kalana Exploitation and the Fougadian Exploration permits. At this time, there is significant competition for these skills within the mining industry and there is no guarantee that Avnel will be able to recruit and retain suitably qualified and experienced personnel.

Dividend Policy

No dividends on the Common Shares have been paid by Avnel to date. Payment of any dividends will be at the discretion of Avnel's board of directors after taking into account many factors, including Avnel's operating results, financial condition, and current and anticipated cash needs.

In addition, cash from operations will be earned largely by SOMIKA. Dividends are payable from SOMIKA only with the approval of the Board of Directors of SOMIKA, which includes two nominee directors of the Malian Government and five directors appointed by Avnel. The Malian Government also has a priority dividend entitlement in respect of dividends paid by SOMIKA.

Future Sales of Common Shares by Existing Shareholders

Collectively, Elliott International, L.P., Elliott Associates L.P., Elliott Advisors (UK), Manchester Securities Corp., and the Liverpool Limited Partnership (the "Elliott Group") owned 63.87% of the outstanding Common Shares as at December 31, 2014. Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair Avnel's ability to raise capital through future equity offerings.

Potential Conflicts of Interest

The Elliott Group owned 63.87% of the outstanding Common Shares of Avnel as at December 31, 2014. Accordingly, Elliott Group has the ability to influence matters requiring shareholder approval, including the election of directors. Circumstances may occur in which the interests of Elliott Group could conflict with the interests of the other shareholders of Avnel. There can be no assurance that any such conflicts of interest will be resolved in favour of these other shareholders.

Equity Dilution

Issuances of additional securities pursuant to financings will result in dilution of the equity interests of entities that are currently shareholders or who become shareholders of Avnel. The Company has also issued dilutive instruments that, if exercised, could result in significant equity dilution. A summary of the Company's issued and outstanding dilutive instruments is presented in the section titled "Description of Capital Structure" below.

Hazardous Materials

The Company may be required to incur substantial costs or capital expenditures in order to comply with requirements relating to the storage of hazardous materials or relating to, among other things, the discharge of contaminants into water, air and into or onto lands, the disposal of waste, the handling, storage and transportation of hazardous materials and the storage of such materials in underground tanks. Any failure to comply with these requirements could result in substantial fines, delays in exploration or production, or the withdrawal of the Company's permits or licenses. The

Company could also be responsible for cleanup of or damages from the release of hazardous materials on or emanating from properties where these materials are stored. 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. The Government of Mali has absolved the Company of all environmental liabilities created prior to 2003.

Electricity Supply

The Kalana Gold Mine receives 100% of its electricity supply pursuant to an agreement with a corporation affiliated with the Malian Government. Diesel generators on site can provide sufficient power for water pumping from underground and limited operations. Failure in electrical power and shortages of the supply of diesel, mechanical parts, and other items required for Avnel's operations at the Kalana Gold Mine, such as, extended periods without electricity or other necessary elements required to support its operations could have an adverse effect on Avnel's business, results of operations, and financial condition.

Environmental Impact of Mine Operations

The mining and treatment processes at the Kalana Gold Mine have resulted in the emission of concentrations of certain chemicals in surface water, such as arsenic, that are at levels below World Health Organization guideline values. In the future, the presence of these or other chemicals in tailings, gasses discharged from the calcine oven stack, or other discharge sources could potentially rise to unacceptable emission levels.

Unionised Workforce

Employees of SOMIKA are members of a Malian national trade union. The terms of employment of SOMIKA's employees are determined by the provisions of a collective agreement that provides for a right to strike. There is no guarantee that, upon expiry of the existing collective agreement, Avnel will be able to successfully negotiate a new collective agreement. Strikes or lockouts may restrict Avnel's ability to produce gold at the Kalana Gold Mine or complete exploration projects on the Kalana Permit.

DIVIDENDS

Avnel has not, since the date of its incorporation, declared or paid any dividends on Common Shares and does not currently have a policy with respect to the payment of dividends. For the foreseeable future, Avnel anticipates that it will retain future earnings and other cash resources for the operation and development of its business. The payment of dividends in the future will depend on the earnings, if any, and Avnel's financial condition and such other factors as the directors of Avnel consider appropriate.

DESCRIPTION OF CAPITAL STRUCTURE

The authorised share capital of Avnel consists of an unlimited number of Common Shares. As at the date of this AIF, there are 261,430,124 Common Shares issued and outstanding and 81,633,176 outstanding options, each to acquire one Common Share.

The following is a summary of the rights, privileges, restrictions, and conditions attaching to each class of outstanding authorised security of Avnel.

Common Shares

Avnel is authorised to issue an unlimited number of Common Shares. The holders of the Common Shares are entitled to:

- (a) Vote at all meetings of shareholders of Avnel, except meetings at which only holders of a specified class of shares are entitled to vote;
- (b) receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Avnel, any dividends declared by Avnel; and
- (c) receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Avnel, the remaining property of Avnel upon the liquidation, dissolution or winding-up of Avnel, whether voluntary or involuntary.

Share Purchase Options

As at the date of this AIF, the Company had 9,204,000 share purchase options issued and outstanding, issued for the benefit of directors, employees and consultants of the Company under the Company's Share Option Plans. Each share purchase option entitles the holder to acquire one Common Share at exercise prices detailed below.

Avnel's issued share purchase options consist of:

- (a) 2,500,000 amended CEO options issued on February 23, 2005, which can be exercised at a price of US\$0.275 per option to obtain one Avnel Common Share, expiring on February 23, 2023; and
- (b) 6,704,000 Employee Long Term Incentive Plan options issued between August 2005 and December 31, 2014, which can be exercised at a price of between C\$0.20 and C\$0.76 per option to obtain one Avnel Common Share, expiring between August 2015 and March 2023:

Date of Grant	Vesting Date	Expiration Date	Exercise Price (\$C)	Number Outstanding
August 31, 2005	August 31, 2005	August 19, 2015	0.76	899,000
August 8, 2008	August 8, 2008	August 6, 2018	0.45	1,500,000
November 9, 2010	November 9, 2010	November 9, 2015	0.28	170,000
January 1, 2011	January 1, 2011	December 31, 2016	0.35	170,000
January 1, 2011	January 1, 2011	December 31, 2016	0.35	170,000
January 1, 2011	January 1, 2011	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	500,000
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
				<u>6,704,000</u>

Warrants and Compensation Options

The following table shows the number of warrants (and similar instruments) to purchase Common Shares of the Company as at December 31, 2014.

Date Issued	Type	Date Expiring	Exercise Price (C\$)	Number Outstanding
17 July 2014	Warrants	17 January 2017	0.20	67,586,400
17 July 2014	Broker Compensation Options	17 July 17	0.15	1,222,776
17 July 2014	Broker Warrants	17 January 2017	0.20	810,000
17 July 2014	Broker Compensation Units	17 July 2016	0.15	810,000
18 Sept. 2014	Warrants	18 September 2016	0.25	2,000,000
				<u>72,429,176</u>

With the exception of the warrants issued on September 18, 2014, each warrant entitles the holder to purchase one ordinary share in the capital of the Company at a price of \$0.20, at any time for a period of 30 months from the date hereof, provided that in the event that the ordinary shares trade on the Toronto Stock Exchange, or other recognised stock exchange or market, as applicable, at a volume-weighted average price of \$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.

MARKET FOR SECURITIES

Trading Price and Volume of Common Shares

The Common Shares have been listed and posted for trading on the TSX since June 30, 2005 under the trading symbol "AVK" and has a quoted market capitalisation of approximately C\$63 million as of the date of this AIF.

The following table sets forth the reported high and low sale prices and the trading volume for the Common Shares on the TSX, for the periods indicated:

Period	High (C\$)	Low (C\$)	Volume
2014			
January	0.14	0.12	146,500
February	0.14	0.12	289,200
March	0.44	0.12	522,000
April	0.25	0.19	94,400
May	0.19	0.13	286,100
June	0.17	0.10	285,000
July	0.22	0.11	546,200
August	0.22	0.13	278,400
September	0.19	0.14	176,900
October	0.18	0.15	180,000
November	0.30	0.17	1,698,400
December	0.27	0.15	424,200
2015			
January	0.27	0.23	303,500
February	0.31	0.17	435,250
March	0.30	0.22	834,720

Prior Sales

On July 17, 2014, the Company completed the first tranche of a brokered Private Placement of 65,786,400 Units at a price of C\$0.15 per Unit (the "Unit Private Placement"). Each Unit consisted of a Common Share and a Common Share purchase warrant (each a "Private Placement Warrant"), with each Private Placement Warrant entitling the holder thereof to purchase one Common Share at a price of C\$0.20, at any time for a period of 30 months from the date of issuance, provided that in the event that the Common 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 thirty days from the date that notice of such acceleration is provided to the holders of Private Placement Warrants.

On August 19, 2014, the Company completed the second tranche of a Private Placement of 1,800,000 Units a price of C\$0.15 per Unit on the same terms as the tranche that closed on July 17, 2014.

In connection with the closing of the two tranches of the Unit Private Placement, in addition to the cash compensation received by the agents, the Company also issued compensation warrants on July 17, 2014 and August 19, 2014 entitling the lead agent to: (i) purchase an aggregate of 1,222,776 Common Shares (the "Share Compensation Warrants"), with an exercise price per Share Compensation Warrant equal to C\$0.15 and (ii) purchase 810,000 Units (the "Unit Compensation Warrants"), with an exercise price per Unit Compensation Warrant that is equal to the C\$0.15. The Share Compensation Warrants and Unit Compensation Warrants have a term of 24 months from their date of issuance, provided that in the event that the Common 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 of the Private Placement Warrants underlying such securities to a period ending at least thirty days from the date that notice of such acceleration is provided to the holders of Private Placement Warrants.

On September 18, 2014, the Company completed a non-brokered Private Placement of 2,000,000 Units of Avnel at a price of C\$0.15 per Unit. Each Unit consisted of one ordinary share of Avnel and one ordinary share purchase warrant. Each Warrant entitles the holder to purchase one ordinary share of Avnel at a price of C\$0.25, at any time for a period of 24 months from the date of issue of the Warrants.

DIRECTORS AND OFFICERS

Name, Occupation, and Security Holdings

The following table sets forth, as at December 31, 2014, unless otherwise indicated, the names and municipalities of residence, the position held with Avnel and the principal occupation of each of the current directors and senior officers of Avnel.

Name, Municipality of Residence and Present Position with Avnel	Principal Occupation for the Past Five Years	Period as Director⁽¹⁾
Howard B. Miller ⁽²⁾ London, United Kingdom Chief Executive Officer and Chairman of the Board of Directors	Chief Executive Officer and Chairman of the Company. Director of Anglesey Mining plc (LSE) since 2001.	February, 2005 - present

Name, Municipality of Residence and Present Position with Avnel	Principal Occupation for the Past Five Years	Period as Director⁽¹⁾
Anthony M. Bousfield St. Andrews, Guernsey Director	Consultant to corporate trustees; director Fern Group Limited; advisor to the Trustees of the Fern Trust and other private business interests.	February, 2005 - present
Ibrahim Kantao ^{(3), (6),} Bamako, Mali Director	Director General of AEL Mali SARL	February, 2005 - present
John Kearney ^{(3), (4), (7)} Toronto, Ontario, Canada Director	Chairman and President of Canadian Zinc Corporation (TSX); Chairman and Chief Executive Officer of Labrador Iron Mines Holding Limited (TSX); Chairman of Conquest Resources Limited (TSXV); Chairman of Anglesey Mining plc (LSE); Chairman of Director of Minco plc (AIM); Lead Independent Director of Avnel's Board of Directors.	February, 2005 - present
Derek Kyle ^{(3), (5), (7)} Johannesburg, South Africa Director	Independent mineral advisor to the mining industry.	February, 2005 – March 30, 2015
Jonas U. Rydell ⁽⁸⁾ London, United Kingdom Director	Securities Analyst with Elliott Advisors (UK).	February, 2005 - present
Andrew King ^{(3), (6), (7)} London, United Kingdom Director	Until, 2014 Resource Division Manager, Standard Bank	March 30, 2015- present
Keith McCandlish ^{(3), (5), (7)} Calgary Canada Director	Managing director of DMT Geosciences Ltd.	March 30, 2015- present

Name, Municipality of Residence and Present Position with Avnel	Principal Occupation for the Past Five Years	Period as Director ⁽¹⁾
Roy Meade Bamako, Mali Director	President of the Company since March 30, 2015. Previously, Executive Director, Operations of the Company since January 1, 2011. Also served as Director General of SOMIKA from January 1, 2009. General Manager of SOMIKA and a member of the board of directors of SOMIKA.	February, 2005 - present
Alan McFarlane Hertfordshire, United Kingdom Chief Financial Officer	Vice President, Finance and Corporate Secretary on the Corporation. Chief Financial Officer since 1 July 2012.	N/A
Olivier Femenias Scottish Borders Vice President Geology	Vice President, Geology for the Company. Previously, Group Geology Manager for the Company from May 2013 to November 2013. Prior to that, headed IAMGOLD's exploration activities at the Kalana Project.	N/A
Jeremy Link ⁽⁹⁾ Toronto, Canada Vice President, Corporate Development	Vice-President, Corporate Development for the Company since September 2014. Principal of Jeremy Link Consulting Services since 2011. Vice-President, Corporate Development of the San Gold Corporation (TSX) from July to November 2011. Previously, Director, Investor Relations with Alamos Gold Inc. (TSX). Currently a member of Board of Directors for Selwyn Resources Ltd. (TSXV) since 2013.	N/A

Notes:

- (1) Each director is elected for a term expiring at the next annual general meeting of Avnel.
- (2) Mr. Miller was appointed Chief Executive Officer on September 30, 2008. Mr. Miller's family are the beneficiaries of the Fern Trust that as at December 31, 2014 owned 33,602,022 Common Shares.
- (3) Member of the sole committee of the Board of Directors of Avnel (the "Committee") which performs the functions of an Audit Committee, a Compensation Committee, a Corporation Governance and Nominating Committee, and a Reserves, Resources, and Environmental Committee function.
- (4) Chairman of the Committee in respect of its Audit Committee function and its Corporation Governance and Nominating Committee function.

- (5) Chairman of the Committee in respect of its Reserves, Resources, and Environmental Committee function.
- (6) Chairman of the Committee in respect of its Compensation Committee function.
- (7) Messrs. Kearney, Kantao, King and McCandlish are independent directors.
- (8) Mr. Rydell is a securities analyst with Elliott Advisors (UK), part of the group consisting of Elliott International, L.P., Elliott Associates L.P., Manchester Securities Corp. and the Liverpool Limited Partnership (the "Elliott Group"). As at December 31, 2014, the Elliott Group collectively, owned or exercised beneficial control over 166,981,945 Common Shares and 54,000,000 Common Share purchase warrants.
- (9) Mr. Link owns directly or exercised beneficial control over 2,045,500 Common Shares and 2,000,000 Common Share purchase warrants as at December 31, 2014.

As at the date of this AIF, the current Board of Directors and executive senior officers of Avnel beneficially own or control, directly or indirectly, as a group, 2,046,500 Common Shares of Avnel.

Conflicts of Interest

Certain directors and officers of Avnel are directors, officers, and/or shareholders of other private and publicly listed companies. While there is potential for conflicts to arise, the Board of Directors of Avnel has not received notice from any director or officer of Avnel indicating that such a conflict currently exists. Conflicts of interest affecting the directors and officers of Avnel will be governed by the Guernsey Act and other applicable laws, including TSX rules and *Multilateral 61-101 Protection of Minority Security Holders in Special Transactions* ("MI 61-101"), as applicable. In the event that such a conflict of interest arises at a meeting of the Board of Directors of Avnel, a Director who has such a conflict must disclose the nature and extent of his interest and abstain from voting for or against matters concerning the venture.

Collectively, the Elliott Group owned or exercised beneficial control over 63.87% of the outstanding Common Shares as at December 31, 2014. Accordingly, the Elliott Group has the ability to influence matters requiring shareholder approval, including the election of directors. Circumstances may occur in which the interests of the Elliott Group could conflict with the interests of the other shareholders of Avnel. There can be no assurance that any such conflicts of interest will be resolved in favour of these other shareholders.

AUDIT COMMITTEE

The Audit Committee's Charter

The Board of Directors of Avnel adopted a charter for the Audit Committee on February 23, 2005 (the "Audit Committee Charter"). The Audit Committee Charter is set out in full in Schedule "A" to this AIF. The text of the Audit Committee Charter is also available on SEDAR at www.sedar.com.

Composition of the Audit Committee

As at the date of this AIF, the members of the Audit Committee of the Company are Mr. John Kearney (chair), Mr. Andrew King, and Mr. Keith McCandlish, all of whom are "financially literate" and "independent" within the meaning of *National Instrument 52-110 – Audit Committees* ("NI 52-110").

Relevant Education and Experience

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

Mr. John Kearney

Mr. Kearney, Chairman of the Audit Committee, is independent and financially literate. He holds degrees in law and economics from University College Dublin, a Masters Degree in Business Administration from Trinity College, Dublin and obtained the designation Associate of the Chartered Institute of Secretaries and Administrators (ACIS) in which he completed advanced accounting courses. He is a member of the Law Society of Ireland.

Mr. Kearney has been an officer and director of public companies for a period in excess of twenty-five years. He has an in depth understanding of the accounting principles used by the Company to prepare its financial statements and has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves by the Company. He has extensive experience in supervising the preparation, auditing, analyzing and evaluation of financial statements with accounting issues at least comparable to the financial statements and the issues that can reasonably be expected to be raised by the Company's financial statements. He has an in depth understanding of procedures for financial reporting and the application of internal controls.

Mr. Andrew King

Mr. King is a member of the Audit Committee and is independent and financially literate. He graduated from the University of Witwatersrand with a degree in Metallurgical Engineering and has an MBA in Finance and Strategy from the London Business School.

Mr. King is a former investment banker with significant expertise in resource financing and operations within emerging markets, including Africa, Latin America and Asia. Until departing Standard Bank in 2014, he spent the prior 14 years in a variety of roles, including managing the Resource Banking division, which encompassed all the bank's activities in the resources sector. He also served as the Chief Executive of Standard Bank Asia Limited in Hong Kong. At the time of his departure from Standard Bank, Mr. King was responsible for Corporate and Investment Banking client coverage in Europe and North America. Prior to joining Standard Bank in 1999, Mr. King worked for BMO Capital Markets and Warrior International.

As a result of his academic training and professional work experience, Mr. King has an understanding of the accounting principles used by the Company to prepare its financial statements and has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves by the Company. He also has extensive experience in reviewing financial statements and the procedures for financial reporting and application of internal controls.

Mr. Keith McCandlish

Mr. McCandlish is a member of the Audit Committee and is independent and financially literate.

Mr. McCandlish is a Professional Geologist with more than 30 years of international geological and engineering experience and since 2008, has been the Managing Director of DMT Geosciences Ltd., an international geoscience and engineering consulting firm. Mr. McCandlish has extensive experience in the areas of corporate finance, technical audits, project evaluation, and mining fraud investigations. In addition, he has extensive experience in the fields of securities regulatory framework and corporate governance, acting as an independent mining and oil & gas analyst for the TSX and TSX-Venture Exchange and advising the Canadian Securities Administrators on mining and petroleum related issues.

As a result of his professional work experience, Mr. McCandlish has an understanding of the accounting principles used by the Company to prepare its financial statements and has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves by the Company.

Pre-Approval Policies and Procedures

The Audit Committee Charter provides that pre-approval of the Audit Committee is required for the engagement of non-audit services as provided for in NI 52-110, and the Audit Committee must pre-approve all non-audit services to be provided to the Company or its subsidiaries, unless otherwise permitted by NI 52-110.

External Auditor Service Fees

For the financial years ended December 31, 2014 and December 31, 2013, Ernst & Young LLP charged the following fees to the Company:

Services	2014 Fees (\$)	2013 Fees (\$)
Audit Fees	249,000	246,000
Audit-Related Fees	Nil	Nil
Tax Fees	Nil	Nil
All Other Fees	2,500	Nil
Total	251,500	246,000

The aggregate fees billed for assurance and related services by the Company's auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the 'Audit Fees' column.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Avnel is not the subject of any legal proceedings material to Avnel, to which Avnel is a party or to which any of its properties is subject and no such proceedings are known to be contemplated. In addition, there were no penalties or sanctions imposed against the Company by a court relating to

securities legislation or by a securities regulatory authority during the 2014 financial year, no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, and no settlement agreements entered into by the Company with a court relating to securities legislation or with a securities regulatory authority during the 2014 financial year.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES, OR SANCTIONS

The directors and executive officers of the Company have furnished the following information.

No director or executive officer of the Company is, as at the date hereof, or was within 10 years before the date hereof, a director, CEO or CFO of any company (including the Company) that was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, in effect for a period of more than 30 consecutive days:

(a) That was issued while the director or executive officer was acting in the capacity as director, CEO or CFO, or

(b) that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

In addition, except as set forth below, no director or executive officer of the Company:

(c) Is, as of the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(d) has, within 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager, or trustee appointed to hold the assets of the director or executive officer.

Finally, except as set forth below, no director or executive officer of the Company has been subject to:

(e) Any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(f) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Itemised below are all material transactions entered into during the three years prior to the date of this AIF or during the current financial year with any director, executive, or shareholder of Avnel or any associate or affiliate of such person that have materially affected or will materially affect the Company:

- (a) SOMIKA made purchases of \$609,000 in 2014 of explosives from African Explosives Limited (“AEL”) on normal commercial terms. The Company also has an ongoing supply agreement with AEL Mali SARL. Mr. Ibrahim Kantao, a Director of Avnel and SOMIKA, is also a director of AEL and Director General of AEL Mali SARL. The contract has a three-month notice period. In the absence of other competitive sources, it is anticipated that purchases of explosives from AEL will continue on a similar basis.
- (b) The premises occupied by Avnel and Kalana Mine Services in London are leased at an annual rental of approximately \$159,000 per annum, excluding UK Value Added Tax, from a company associated with the Fern Trust, an insider of the Company.
- (c) The Company has a contract DMT Geosciences as consultants for the Kalana Main Project DFS. Consulting costs \$14,000 were charged in 2014. Mr. McClandish who became a member of the Avnel Board on March 30, 2015 is the Managing director of DMT geosciences.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc., located at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1.

MATERIAL CONTRACTS

The only material contracts entered into within the most recently completed financial year or prior to the most recently completed financial year and still in force that are required to be filed on SEDAR pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators are as follows:

Foundation Agreement

On February 14, 2003, Avnel Cayman and the Republic of Mali entered into a foundation agreement that granted exploitation rights for an initial period of 30 years and sets out the fiscal, economic and customs regime as stipulated in the 1999 Mining Code and the fiscal law of the Republic of Mali (the “Foundation Agreement”).

The key terms of the Foundation Agreement are as follows:

- The term of the agreement is 30 years. If exploitation of the Kalana Gold Mine and Concession exceeds this period, Avnel Cayman and the Malian Government will undertake negotiations in order to enter into a new agreement.
- Avnel Cayman was required to establish and transfer the Kalana Exploitation Permit to SOMIKA, and provide the Malian Government with a 20% equity interest in SOMIKA. The Malian Government's interest in SOMIKA shall not, at any time during the term of the Foundation Agreement, exceed 20% of the total share capital. The Malian Government's interest in SOMIKA also includes anti-dilution rights.
- The government's 20% shareholding in SOMIKA has a priority dividend right in respect of profits available for distribution.
- Avnel Cayman and SOMIKA are granted stability guarantees in respect of tax and custom duties, and are also required to pay a 3% Net Smelter Return ("NSR") royalty to the government.
- A proportional stamp duty of 0.6% on gold exports.
- Either party to the Foundation Agreement may assign its rights and obligations to technically and financially qualified entities with the consent of the other party. The non-assigning party retains a pre-emptive right with respect to the participating interest of a party in SOMIKA or the transfer of the Permit.

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 1999 Mining Code also provides, in respect of any mining permit, a period of three years from first commercial production during which the mining company will be exempted from certain customs, import duties and other taxes. The Foundation Agreement grants such exemptions independently in respect of the Kalana Gold Mine and concession.

Operatorship Agreement

In accordance with the terms of the Foundation Agreement with the Malian Government, SOMIKA entered into an operatorship agreement (the "Operatorship Agreement") pursuant to which Avnel Cayman operated the mining and exploration activities of SOMIKA. On February 23, 2005, Avnel Cayman assigned its rights in the Operatorship Agreement to Avnel. Avnel currently earns fees as the operator and manager of SOMIKA's mining and exploration activities.

Avnel provides all necessary administrative, financial, technical and consulting services to SOMIKA in respect of the operation of the Kalana Gold Mine. All conditions that apply to exploration and exploitation rights under the Kalana Exploitation Permit, and the exploitation of the Kalana Gold Mine deposit in particular, including work obligations, reporting, taxes, duties, duty-free arrangements and state equity participation, are covered by the Foundation Agreement.

Kalana Mine Services, a London-based, wholly-owned subsidiary of Avnel Cayman, provides purchasing, facilitation, and expediting services and technical assistance to SOMIKA at cost plus a fee of 7.5%.

Upon the development of an open pit mine on the Kalana Exploitation Term, Avnel, as operator, will be entitled to management fees of 0.75% of gross revenue, 2.5% of the mine's earnings before interest and taxes, and 4.0% of all capital expenditures. These management fees are not considered in the PEA.

Shareholders' Agreement

Under the terms of the Foundation Agreement, the Malian Government is entitled to a 20% equity stake in SOMIKA. On July 28, 2003, the shareholders' agreement between the shareholders of SOMIKA (the "Shareholders' Agreement") was approved and executed by Avnel Cayman and the Minister of State Domains of Mali. The Malian Government's 20% share in SOMIKA was placed in trust with Howard B. Miller, the Chief Executive Officer and Chairman of the Board of Directors of Avnel, pending the enactment of the relevant legislation.

On June 24, 2004, an Act of the Malian Parliament was passed to enable the Malian Government to hold the 20% stake in SOMIKA. The shares representing the Malian Government's 20% stake in SOMIKA continued to be held in trust by Mr. Miller pending formal completion of the transfer to the Malian Government, which was completed in 2005.

INTERESTS OF EXPERTS

Ernst & Young LLP are the Company's external auditors and have reported to the shareholders on the Company's consolidated financial statements for the year ended December 31, 2014 in their report dated March 31, 2015. In connection with their audit, Ernst & Young LLP has confirmed that they are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Information of an economic (including economic analysis), scientific or technical nature regarding the Kalana Main Project and the Kalana Permit is included in this AIF based upon the "Technical Report - Kalana Mineral Resource Estimate and Preliminary Economic Assessment" dated March 31, 2014 prepared by Ivor W.O Jones (Executive Consultant) and Allan Earl (Executive Consultant) of Snowden Mining Industry Consultants (Pty) Ltd, each of whom is a "Qualified Person" in accordance with National Instrument 43-101.

Information of an economic (including economic analysis), scientific, or technical nature in this AIF regarding the September 2014 MRE and the March 2015 MRE is summarised or extracted from reports prepared by Denny Jones Pty Ltd ("Denny Jones"). The September 2014 MRE and the March 2015 MRE were prepared by Ivor W.O. Jones, Principal Consultant, at Denny Jones.

Neither Ivor Jones nor Allan Earl are shareholders of Avnel Gold Mining Limited.

All of the authors of the Kalana Technical Report are independent of Avnel within the meaning of National Instrument 43-101 and do not have an interest in the property of Avnel. Information of a scientific or technical nature in this AIF arising since the date of the Kalana Technical Report has

been prepared under the supervision of Roy Meade, the Company's President, and Dr. Olivier Femenias, the Company's Vice-President, Geology, both of whom are non-independent "Qualified Persons" as such term is defined in National Instrument 43-101 and whose individual interests in the Company represents less than 1% of the issued and outstanding Common Shares as at the time of this AIF.

ADDITIONAL INFORMATION

Additional information relating to the Company, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, securities authorised for issuance under equity compensation plans and interests of insiders in material transactions, where applicable, is contained in the Company's information circular for its most recent annual meeting of shareholders that involved the election of directors, which can be found on SEDAR at www.sedar.com.

Additional information, including the Company's financial statements and MD&A for its most recently completed financial year ended December 31, 2014 and interim MD&A and financial statements for the quarters ended March 31, 2014, June 30, 2014 and September 30, 2014 and the Kalana Technical Report may be found on SEDAR at www.sedar.com and on the Company's website at www.avnelgold.com.

Schedule "A" –CHARTER OF THE AUDIT COMMITTEE

The following is the Charter of the Committee in respect of its Audit Committee function.

I. MANDATE

The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Avnel Gold Mining Limited (the "Corporation") to assist the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting process and internal controls for the Corporation. The external auditors will report directly to the Committee and the Committee shall have direct communication channels with the external auditors of the Corporation. The external auditors shall be ultimately accountable to the Board and the Committee as representatives of the shareholders. The Committee's mandate and responsibilities are to:

1. Recommend to the Board the external auditors to be nominated and the compensation of such auditor;
2. oversee and monitor the work and performance of the Corporation's external auditors, including meeting with the external auditors and reviewing and recommending all renewals or replacements of the external auditors and their remuneration;
3. pre-approve all non-audit services to be provided to the Corporation by the external auditors;
4. review the financial statements and management's discussion and analysis (MD&A) and annual and interim financial results press releases of the Corporation;
5. oversee the integrity of internal controls and financial reporting procedures of the Corporation and ensure implementation of such controls and procedures; and
6. provide oversight to any related party transactions entered into by the Corporation.

II AUTHORITY OF THE AUDIT COMMITTEE

The Committee shall have the authority to:

1. Engage independent counsel and other advisors as it determines necessary to carry out its duties;
2. set and pay the compensation for advisors employed by the Audit Committee; and
3. communicate directly with the external auditors.

II. COMPOSITION AND MEETINGS

1. The Committee and its membership shall meet all applicable legal, regulatory and listing requirements, including those of all applicable securities regulatory authorities.
2. The Committee shall be composed of three directors as shall be designated by the Board from time to time. The members of the Committee shall appoint from among themselves a member who shall serve as Chair. A minimum of two members of the Committee present either in person or by telephone shall constitute a quorum.
3. The Committee members will be elected annually at the first meeting of the Board following the annual general meeting of shareholders.
4. Each member of the Committee shall be “independent” and shall be “financially literate” (as each such term is defined in Multilateral Instrument 52-110) and shall be an “unrelated director” (as such term is defined in the TSX Company Manual). At least one member of the Committee shall have accounting or related financial expertise.
5. The Committee shall meet at least quarterly, as circumstances dictate or as may be required by applicable legal or listing requirements.
6. Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.

III. RESPONSIBILITIES

1. The Committee shall review the annual audited financial statements to satisfy itself that they are presented in accordance with applicable generally accepted accounting principles (“GAAP”) and report thereon to the Board and recommend to the Board whether or not same should be approved, prior to their being filed with the appropriate regulatory authorities. The Committee shall also review the interim financial statements.
2. The Committee oversees the integrity of internal controls and financial reporting procedures of the Corporation and ensures implementation of such controls and procedures.
3. The Committee shall review any internal control reports prepared by management and the evaluation of such report by the external auditors, together with management’s response.
4. The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements, management’s discussion and

analysis and annual and interim earnings press releases before the Corporation publicly discloses this information.

5. The Committee shall review management's discussion and analysis relating to annual and interim financial statements and any other public disclosure documents, including interim earnings press releases, before the Corporation publicly disclose this information.
6. The Committee shall meet no less frequently than annually with the external auditors and to review accounting practices, internal controls and such other matters as the Committee deems appropriate (including the establishment of the independence of the external auditor). The Committee shall be directly responsible for overseeing the work of the external auditor.
7. The Committee shall establish procedures for:
 - a. The receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
 - b. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
8. The Committee shall annually make recommendations to the Board regarding the selection, appointment and fees of the independent auditors.
9. The Committee shall provide oversight to any related party transactions entered into by the Corporation.
10. In the event that the Corporation wishes to retain the services of the Corporation's external auditors for tax compliance or tax advice or any non-audit services, the Audit Committee, must first pre-approve any such non-audit services (however, the Committee may delegate such approval to one independent committee member if desired, subject to compliance with applicable laws). The Audit Committee shall maintain a record of non-audit services approved by the Audit Committee for each fiscal year and provide a report to the Board on an annual basis.
11. The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.
12. The Committee shall perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary.

SCHEDULE "B" – COMPARISON OF LAW SUMMARY

	Rights of Holders of Shares in Ontario Company	Rights of Holders of Shares in Guernsey Company	Rights of Holders of Shares in Cayman Company
RIGHTS ATTACHING TO SHARES			
Share Capital	Under Ontario law, articles specify share capital. Typically a corporation is authorized to issue an unlimited number of common shares. There is no concept of par value under Ontario corporate law and all shares of Ontario corporations, once issued, are deemed to be fully paid and non-assessable.	Avnel Gold Mining Limited's ("Avnel") memorandum and articles of incorporation (the " Articles ") allow Avnel to issue an unlimited number of ordinary shares of no par value. Avnel is authorized to issue shares with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise.	Avnel Gold, Ltd.'s ("Avnel Cayman") authorised share capital, as set out in its memorandum and articles of association, is US\$100,000 divided into 55,000 voting shares of par value of US\$1.00 each and 45,000 non-voting shares of par value of \$1.00 each.
Voting Rights	Under the <i>Business Corporations Act</i> (Ontario) (the "OBCA"), and typical articles, each common share of a corporation entitles the holder to one vote at a meeting of shareholders, unless the articles of incorporation state otherwise. On a show of hands, each holder of shares in the corporation present in person or by proxy and entitled to vote has one vote. If a ballot is called, each holder of shares in a corporation present in person or by proxy will have one vote for each share in the corporation held. The OBCA and typical by-laws provide that a ballot may be demanded by any shareholder or proxy holder entitled to vote at the meeting.	Under Guernsey Companies Law, every shareholder is entitled to one vote in respect of each share held. Such rights may be varied by the memorandum and articles of the company or in accordance with the terms on which the share is issued. The Articles provide that every member present in person or by attorney at a meeting is entitled, on a show of hands, to have one vote and, on a poll, to have one vote for each share held by that person, subject to any rights or restrictions attached to any shares.	Avnel Cayman's articles of association state that, subject to any rights or restrictions attaching to any class of shares, (i) on a show of hands every member present in person or by proxy at a general meeting shall have one vote, and (ii) on a poll every member present in person or by proxy shall have one vote for every share held. A resolution put to the vote at a general meeting shall be decided on a show of hands unless a poll is, before or on the declaration of the result of the show of hands, demanded by the chairman or any other member present in person or by proxy. In the case of an equality of votes, the chairman shall be entitled to a second or casting vote.
Appraisal Rights; Rights to Dissent; Compulsory Acquisition	Pursuant to the OBCA, a shareholder is entitled to exercise a right of dissent on certain prescribed fundamental changes to corporations and, upon exercising such right of dissent, is entitled to be paid the fair value of the shares held by the shareholder in respect of which the shareholder dissents.	Under Guernsey Companies Law, in the case of a scheme or contract that involves the transfer of shares or any class of shares of a company (the "transferor") to any person (the "transferee"), if, within 4 months after the date of making an offer in respect of such a scheme or contract, the offer is approved by shareholders comprising 90% in value of the shares affected (excluding any shares held as treasury shares), the transferee may, within 2 months after the expiration of those 4	The Companies Law does not specifically provide for appraisal rights. However, in the case of a court-sanctioned reorganization of a Cayman Islands company (which would be relevant in the context of a scheme of arrangement, which would require the approval of a majority in number of the shareholders holding shares representing at least 75% in value of each affected class of

	Rights of Holders of Shares in Ontario Company	Rights of Holders of Shares in Guernsey Company	Rights of Holders of Shares in Cayman Company
		<p>months, give notice to any dissenting shareholder that it desires to acquire his shares (a "notice to acquire").</p> <p>Subject to the rights to dissent set out below, where a notice to acquire is given, the transferee is entitled and bound to acquire those shares on the terms on which, under the scheme or contract, the shares of the approving shareholders are to be transferred to the transferee. Subject to the dissent rights below, the transferee shall, on the expiration of one month from the date of the notice to acquire (a) send a copy of the notice to the transferor, and (b) pay or transfer to the transferor the consideration required under the notice in respect of the shares he is entitled to acquire, and the transferor shall thereupon register the transferee as the holder of those shares.</p> <p>A dissenting shareholder may, within 1 month after the date of a notice to acquire, apply to the Court to cancel that notice. The Court, on such an application, may cancel the notice or make such order as it thinks fit.</p>	<p>shares of the company), a dissenting shareholder has the right to express to the court such shareholder's view that the transaction sought to be approved would not provide the shareholders with fair value for their shares. The Cayman Islands court has the discretion to make such order as it may decide.</p> <p>In addition, Cayman Law provides that where an offer is made by a company for all of the shares, or all of the shares of a particular class, of a Cayman Islands company and, within four months of the offer, the holders of not less than 90% in value of the shares that are the subject of the offer accept, the offeror may by notice given within two months after the expiration of the four month period, require the dissenting shareholders to transfer their shares on the terms of the offer. Within one month of such notice, a dissenting shareholder may apply to the court objecting to the transfer. The burden is on the dissenting shareholders to show that the court should exercise its discretion to prevent the transfer. The Cayman Islands court has absolute discretion to make any order as it may decide.</p> <p>Under Cayman Islands' law, dissentient shareholders of a company incorporated in the Cayman Islands have a right to be paid the fair value of their shares upon dissenting from a merger or consolidation except where (a) an open market exists for the shares on a recognised stock exchange or interdealer quotation system or (b) the merger or consolidation consideration comprises one of certain specified classes, including shares of a surviving</p>

	Rights of Holders of Shares in Ontario Company	Rights of Holders of Shares in Guernsey Company	Rights of Holders of Shares in Cayman Company
			or consolidated company.
Dividends	<p>Subject to its articles and any unanimous shareholder agreement, the directors of an Ontario corporation may declare and a corporation may pay a dividend.</p> <p>No dividends can be declared or paid if</p> <p>(a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or</p> <p>(b) the realizable value of the corporation's assets would thereby be less than the aggregate of, (i) its liabilities, and (ii) its stated capital of all classes.</p>	<p>Subject to its articles of incorporation, under Guernsey Companies Law, a company may pay a dividend if, (a) the board of directors is satisfied on reasonable grounds that the company will, immediately after payment, satisfy the statutory solvency test, and (b) it satisfies any other requirement in its memorandum and articles of incorporation.</p> <p>The dividend may be of such amount, be paid at such time, and be paid to such members, as the board thinks fit.</p> <p>The board of directors must approve a certificate stating (a) that in their opinion the company will, immediately after payment of the dividend, satisfy the statutory solvency test, and (b) the grounds for that opinion, and the certificate must be signed on their behalf by at least one of them.</p> <p>The Articles provide that Avnel may, from time to time by ordinary resolution, declare dividends to be paid to the shareholders.</p>	<p>Avnel Cayman's articles of association allow the directors, subject to the Companies Law, to declare dividends on shares and authorize the payments of dividends out of the profits of Avnel Cayman, realized or unrealized and to pay such interim dividends as appear to the directors to be justified by the profits of Avnel Cayman. No dividends may be paid out of the share premium account of Avnel Cayman.</p>
Repurchases and Redemptions	<p>Under the OBCA, a corporation may purchase or redeem any redeemable shares issued by it at prices not exceeding the redemption price stated in the articles or calculated according to a formula stated in the articles.</p> <p>A corporation shall not make any payment to purchase or redeem any redeemable shares if</p> <p>(a) the corporation, is or, after the payment, would be unable to pay its liabilities as they become due; or</p> <p>(b) after the payment, the</p>	<p>Under Guernsey Companies Law, a company may, if so authorised by its memorandum or articles of incorporation:</p> <ul style="list-style-type: none"> • issue shares which are, or at the option of the company or the shareholder are, liable to be redeemed; or • acquire its own shares (including any redeemable shares). <p>Guernsey Companies LawA redemption of shares or an acquisition of its own shares by a company shall, subject to Guernsey</p>	<p>Under the Companies Law, a Cayman Islands company may, if authorised by its articles of association, purchase its own shares or issue shares which are redeemable at the option of the company or the shareholder in such manner and upon such terms as authorised by the company's articles of association or by a resolution of the company, provided that no share may be redeemed or purchased (a) unless it is fully paid, or (b) if, as a result of the redemption of purchase, there would no longer be any issued shares of the company other than any</p>

	Rights of Holders of Shares in Ontario Company	Rights of Holders of Shares in Guernsey Company	Rights of Holders of Shares in Cayman Company
	<p>realizable value of the corporation's assets would be less than the aggregate of,</p> <p>(i) its liabilities, and</p> <p>(ii) the amount that would be required to pay the holders of shares that have a right to be paid, on a redemption or in a liquidation, rateably with or before the holders of the shares to be purchased or redeemed, to the extent that the amount has not been included in its liabilities.</p>	<p>Companies Law, be effected on such terms and in such manner as may be provided for by (a) the company's memorandum or articles, or (b) the terms of the issue of those shares.</p> <p>A company may not redeem or acquire its shares if, as a result of the redemption, the company would have no members. A company may not redeem a share unless it is fully paid. For the avoidance of doubt, there is no requirement for shares to be redeemed out of a particular account or source.</p> <p>A company must obtain the consent of the shareholders whose shares are being acquired and, in the case of an off market acquisition, the contract for the acquisition of those shares must be authorised in advance by special resolution of the company.</p> <p>A company may not make market acquisition of its own shares unless the acquisition has first been authorised by ordinary resolution and such acquisitions are authorised by the company's memorandum and articles of incorporation. A "market acquisition" for these purposes means an acquisition of shares made on a recognised investment exchange provided that the acquisition is subject to a marketing arrangement. Confirmation must be sought from the Guernsey Financial Services Commission on a case by case basis as to whether any stock exchange is a "recognised investment exchange" for this purpose.</p> <p>The Articles provide that, subject to Guernsey Companies Law, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of Avnel are,</p>	<p>treasury shares. Shares may be redeemed or repurchased out of profits of the company, out of the share premium account, out of the proceeds of a fresh issue of shares made for that purpose or out of capital, provided the company's articles authorize this and it has the ability to pay its debts as they come due in the ordinary course of business.</p> <p>Avnel Cayman's articles of association provide that, subject to the Companies Law and the memorandum of association, shares may be issued on the terms that they may, or at the option of Avnel Cayman may, be redeemed on such terms and in such manner as Avnel Cayman, before the issue of the shares, may by special resolution determine. Avnel Cayman's articles of association do not otherwise authorise Avnel Cayman to repurchase its own shares.</p>

	Rights of Holders of Shares in Ontario Company	Rights of Holders of Shares in Guernsey Company	Rights of Holders of Shares in Cayman Company
		<p>liable to be redeemed by Avnel. Avnel also has the power, subject to Guernsey Companies Law, to purchase any of its own shares, whether redeemable or not, and may make payment out of capital except where</p> <p>(i) Avnel is, or after the payment would be, unable to pay its liabilities as they become due; or</p> <p>(ii) the realizable value of the Avnel's assets would after the payment be less than the aggregate of its liabilities and stated capital of all classes.</p>	
Variation of Shareholder Rights	The OBCA has no such provisions	<p>Under Guernsey Companies Law, rights of a class of shareholders may only be varied (a) in accordance with the company's articles of incorporation; or (b) where the company's articles of incorporation contain no such provision, if the holders of that class consent to the variation.</p> <p>The consent required is (a) consent in writing from holders of at least 75% in value of the issued shares in that class (excluding treasury shares) or (b) a special resolution passed at a separate class meeting.</p> <p>Where shareholders owning not less than 15% in aggregate of the issued shares of the class in question (excluding shares held as treasury shares) did not consent to or vote in favour of a resolution varying the rights attaching to such shares, one or more of the affected shareholders may apply to a court for an order having the variation annulled. If such application is made, the variation shall have no effect unless and until confirmed by the court.</p> <p>Under the Articles, the rights, privileges or conditions attaching to any class or group of shares can be altered, subject to the right (if any) of a shareholder to apply to</p>	<p>Avnel Cayman's articles of association provide that, if the share capital is divided into more than one class of shares, Avnel Cayman may vary the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) only with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.</p> <p>The articles state that the rights conferred upon the holders of the shares of any class issued with preference or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking <i>pari passu</i> therewith.</p>

	Rights of Holders of Shares in Ontario Company	Rights of Holders of Shares in Guernsey Company	Rights of Holders of Shares in Cayman Company
		<p>the court for a variation or cancellation as provided for under Guernsey Companies Law, by:</p> <p>(i) an agreement between Avnel and a representative of the affected class or group of shareholders that is ratified in writing by holders of at least 2/3 in nominal value of the issued shares of the class or group affected; or</p> <p>(ii) with the written consent of the holders of ¾ of the issued shares of that class or by a resolution passed by a majority of ¾ of the votes of the holders of shares of the class or group affected at a separate meeting with specific quorum requirements.</p>	
DIRECTORS			
Number of Directors	Typically the articles set a minimum of three and a maximum of ten directors. "Offering corporations" (as defined in the OBCA) must have three directors, with at least one-third of the directors not officers or employees of the corporation.	<p>Under Guernsey Companies Law, a company must have at least one director.</p> <p>The Articles provide that, unless otherwise determined by ordinary resolution, the number of directors shall not be subject to a maximum and the minimum number shall be one.</p>	The number of directors is determined in accordance with the articles of association. Avnel Cayman's articles provide for not less than one or more than 10 directors, provided that Avnel Cayman may by ordinary resolution increase or reduce the limits in the number of directors.
Election of Directors	Typical by-laws provide that the election of directors shall take place at each annual meeting of shareholders and all the directors then in office shall retire but, if qualified, shall be eligible for re-election. The number of directors to be elected at any such meeting shall be the number of directors as specified in the articles or, if a minimum and maximum number of directors is provided for in the articles, the number of directors determined by special resolution or, if a special resolution empowers the directors to determine the number, the number of directors determined by resolution of the	<p>Guernsey Companies Law allows for certain flexibility by providing that the appointment of directors occur by ordinary resolution, unless the memorandum or articles state otherwise.</p> <p>Under the Articles, the election of directors shall take place at each annual general meeting and all directors then in office shall retire but shall be eligible for re-election. Directors are elected by the passing of ordinary resolutions.</p>	Avnel Cayman's articles of association provide that the directors shall have the power to appoint any person to be a director (whether to fill a vacancy or as an additional director) and the members may also, by ordinary resolution, appoint any person to be a director.

	Rights of Holders of Shares in Ontario Company	Rights of Holders of Shares in Guernsey Company	Rights of Holders of Shares in Cayman Company
	board.		
Directors Remuneration	<p>Under the OBCA, the directors of a corporation may fix the remuneration of the directors, officers and employees of the corporation. Under the OBCA and applicable Canadian securities laws, a report on compensation is required to be included in the management proxy circular in connection with the annual meeting each year. A corporation's by-laws, articles or a unanimous shareholder agreement may place limits on compensation.</p>	<p>Guernsey Companies Law does not set out rules regarding the remuneration of directors.</p> <p>The Articles provide that the remuneration of directors shall be determined from time to time by Avnel by way of ordinary resolution or until so determined, as the directors resolve.</p>	<p>According to Avnel Cayman's articles of association, the remuneration paid to directors shall be such remuneration as the directors shall determine. The directors shall also be entitled to be paid their travelling, hotel and other expenses properly incurred by them in going to, attending and returning from meetings, or otherwise in connection with the business of the Avnel Cayman or to receive a fixed allowance in respect thereof as may be determined by the directors from time to time.</p> <p>The directors may also by resolution award special remuneration to any director undertaking any special work of services for, or undertaking any special mission on behalf of, Avnel Cayman other than his ordinary routine work as director.</p>
Transactions Involving Directors	<p>The OBCA requires directors and officers to disclose to the corporation the nature and extent of any interest that they may have in a material contract or transaction, whether made or proposed, with the corporation, if they:</p> <ul style="list-style-type: none"> • are a party to the contract or transaction; or • have a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the corporation. <p>Except as provided in the OBCA, no director having such an interest may vote on any resolution to approve such contract or transaction unless the contract or transaction:</p>	<p>Under Guernsey Companies Law, a director must, immediately after becoming aware of the fact that he is interested in a transaction or proposed transaction with the company (outside of the ordinary course of business or otherwise than between the director and the company), disclose to the board the nature and extent of the interest and, if quantifiable, the monetary value of the interest. The disclosure may be by way of general disclosure to the effect that the director has an interest in a counterparty. A transaction entered into by the company in which a director is interested is voidable by the company within 3 months of disclosure unless the disclosure was compliant with Guernsey Companies Law, the transaction is ratified or the company received fair value for the transaction. These disclosure and</p>	<p>Avnel Cayman's articles provide that no person shall be disqualified from the office of director or prevented by such office from contracting with Avnel Cayman, nor shall any such contract or any contract or transaction entered into by or on behalf of Avnel Cayman in which any director has an interest be or be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to Avnel Cayman for any profit realized by such contract by reason of the director holding office or of the fiduciary relation thereby established. A director is at liberty to vote in respect of any such contract or transaction in which he is interested provided the nature of the interest is disclosed by him at or prior to its</p>

	Rights of Holders of Shares in Ontario Company	Rights of Holders of Shares in Guernsey Company	Rights of Holders of Shares in Cayman Company
	<ul style="list-style-type: none"> • relates primarily to his or her remuneration as a director of the corporation or an affiliate; • is for indemnity or insurance; or • is with an affiliate. <p>A contract or transaction for which the above disclosure is required is not void or voidable, and the director or officer is not accountable to the corporation or its shareholders for any profit realized from the contract or transaction, by reason only of that relationship or by reason only that the director is present at or is counted to determine the presence of a quorum at the meeting of directors that authorized the contract or transaction, if:</p> <ul style="list-style-type: none"> • the director or officer disclosed of the interest in accordance with the OBCA; and • the contract or transaction was reasonable and fair to the corporation when it was approved. <p>Even if the above conditions are not met, a contract or transaction is not void or avoidable and a director or officer is not accountable to the corporation or its shareholders for any profit realized from a contract or transaction that required disclosure if:</p> <ul style="list-style-type: none"> • the director or officer was acting honestly and in good faith the contract or transaction is approved or confirmed by special resolution of the shareholders at a meeting of the shareholders duly called for that purpose; • after sufficient disclosure of the interest was made to 	<p>avoidance rules do not apply in relation to remuneration given to a director, insurance of a director or a qualifying third party indemnity provided for a director.</p> <p>Under Guernsey Companies Law, an interested director may vote on a transaction as if he were not interested, subject to the company's memorandum and articles.</p> <p>The Articles provide that a director is not disqualified from entering into a contract or arrangement with Avnel and no such contract or arrangement entered into by or on behalf of Avnel in which a director is in any way interested shall be avoided; nor shall any person so contracting or being so interested be liable to account to Avnel for any profit realized by such contract or arrangement by reason of such director holding the office of director or of the fiduciary relationship. The director so contracting must disclose to the board the nature of his interest and may vote in respect of any contract or arrangement notwithstanding his interest except if the contract or arrangement is material to Avnel. If material, the director may not vote unless the contract or arrangement:</p> <ul style="list-style-type: none"> • relates primarily to his or her remuneration as a director of the corporation or an affiliate; • is for indemnity or insurance; or • is with an affiliate of Avnel. 	<p>consideration and any vote thereon.</p>

	Rights of Holders of Shares in Ontario Company	Rights of Holders of Shares in Guernsey Company	Rights of Holders of Shares in Cayman Company
	<p>shareholders in the notice calling the meeting or in the information circular required by the OBCA to indicate its nature; and</p> <ul style="list-style-type: none"> • the contract or transaction was reasonable and fair to the corporation when approved or confirmed. 		
Removal of Directors	<p>Under the OBCA, the shareholders of a corporation may, by ordinary resolution at an annual or special meeting, remove any director or directors from office, subject to some exceptions.</p>	<p>Under Guernsey Companies Law, a person ceases to be a director if he resigns, is removed in accordance with the company's memorandum or articles, becomes ineligible to be a director, dies or otherwise vacates office in accordance with the memorandum or articles.</p> <p>As provided for in the Articles, a director's office is vacated if: (i) he resigns in writing; (ii) he shall have absented himself from directors' meetings for 6 months in succession and the other directors have resolved to have his office vacated; (iii) he had his affairs declared <i>en désastre</i> or has a preliminary vesting order made against his Guernsey realty, becomes bankrupt, suspends payment or compounds with his creditors, or is adjudged insolvent; (iv) he becomes prohibited by law from being a director; or (v) Avnel, by ordinary resolution, declares he shall cease to be a director.</p>	<p>Under Avnel Cayman's articles of association, directors may be removed by ordinary resolution of the members. The office of director will also be vacated if: (a) the director resigns by notice in writing; (b) the director is absent from three consecutive board meetings without special leave of absence from the directors and the directors pass a resolution that he has by reason of such absence vacated office; (c) the director dies, becomes bankrupt or makes an arrangement or composition with his creditors generally; or (d) the director is found a lunatic or becomes of unsound mind.</p>
Quorum	<p>Subject to the articles or by-laws, a majority of the number of directors or minimum number of directors required by the articles constitutes a quorum at any meeting of directors, but in no case shall a quorum be less than two-fifths of the number of directors or minimum number of directors, as the case may be.</p> <p>Where a corporation has fewer than three directors, all directors must be present at any meeting of directors to constitute a</p>	<p>Under Guernsey Companies Law, quorum is set by the company's memorandum or articles.</p> <p>The Articles provide that the quorum required for transacting business of the directors may be fixed by the directors and unless so fixed shall be two, save where Avnel has only one director in which case the quorum shall be one.</p>	<p>The articles of association for Avnel Cayman provide that the quorum required for transacting business of the directors may be fixed by the directors and unless so fixed shall be two.</p>

	Rights of Holders of Shares in Ontario Company	Rights of Holders of Shares in Guernsey Company	Rights of Holders of Shares in Cayman Company
	quorum.		
Residency of Directors	A majority of directors of an OBCA corporation (other than non-resident corporations) must be resident Canadians (other than OBCA corporations that have only one or two directors, in which case that director, or one of the two directors, as the case may be, must be resident Canadians).	Guernsey Companies Law does not impose any Guernsey residency requirements for directors of Guernsey companies.	There are no Cayman residency requirements for directors of companies governed by the Companies Law.
Retirement Benefits	There are no restrictions on the quantum of retirement benefits that a typical corporation may pay to its directors or officers in its bylaws.	There are no rules regarding retirement benefits under Guernsey Companies Law.	There are no rules regarding retirement benefits under the Companies Law.
Indemnification of Directors and Officers	<p>Typical by-laws provide that, subject to limitations contained in the OBCA, a corporation may indemnify a director or officer, a former director or officer or another individual who acts or has acted at the corporation's request as a director or officer, or an individual who acts in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the corporation or other entity if:</p> <ul style="list-style-type: none"> the individual acted honestly and in good faith with a view to the best interests of the corporation or, as the case may be, to the best interests of the other entity for which the individual acted as a director or officer or in a similar capacity at the corporation's request; in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual 	<p>Under Guernsey Companies Law, any provision that directly or indirectly indemnifies a director, against any liability attaching to him in connection with any negligence, default, breach of duty or breach of trust in relation to the company of which he is a director is void, subject to certain exceptions. However, a company may purchase and maintain, for a director, insurance against any such liability.</p> <p>Further, companies are allowed to indemnify directors against liability incurred to a person other than the company if certain requirements are met (i.e. the provision must not provide indemnity against criminal fines, fines payable for non-compliance with regulatory requirements or defending criminal proceedings in which the director is convicted).</p> <p>The Articles contain an indemnification of directors, secretary and other officers out of its assets from and against all actions, costs, damages, expenses etc. in respect of which they may lawfully be indemnified incurred in carrying out their duties, except any that they incur through their own wilful act, negligence or</p>	<p>The Companies Law does not limit the extent to which a company's articles of association may provide for the indemnification of its directors, officers, employees and agents except to the extent that such provision may be held by the Cayman Islands courts to be contrary to public policy. For instance, a provision purporting to provide indemnification against the consequences of committing a crime, or against the indemnified person's own fraud or dishonesty, may be deemed contrary to public policy.</p> <p>Under Avnel Cayman's articles of association, Avnel Cayman's directors, auditors, officers or trustees (and their respective heirs, executors, administrators and personal representatives) shall be indemnified out of the assets of Avnel Cayman from and against all actions, proceedings, costs, charges, losses, damages and expenses arising from execution of their duty (except those arising from their own wilful default).</p>

	Rights of Holders of Shares in Ontario Company	Rights of Holders of Shares in Guernsey Company	Rights of Holders of Shares in Cayman Company
	<p>had reasonable ground for believing that the individual's conduct was lawful; and</p> <ul style="list-style-type: none"> • a court or other competent authority has not judged that the individual has committed any fault or omitted to do anything that the individual ought to have done. <p>A corporation may also indemnify such person in such circumstances as the OBCA permits or requires. Furthermore, under the OBCA, a corporation may indemnify a director or officer of the corporation, a former director or officer of the corporation or another individual who acts or acted at the corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the corporation or other entity.</p> <p>The OBCA and typical bylaws authorize corporations to purchase and maintain liability insurance for the benefit of the individuals described above against such liabilities.</p>	<p>default</p> <p>The Articles grant the directors the power to purchase and maintain insurance (for any persons who are or were directors, officers or employees of the Avnel, or of a holding company, a subsidiary or an affiliate) against any liability incurred by such persons in respect of any act or omission in the execution of their duties and/or the exercise of their powers.</p>	
Directors' Liability	<p>Typical by-laws provide that, subject to any applicable statutory provisions, no director or officer shall be liable for certain specific acts and any other loss, damage or misfortune whatever which may happen in the execution of the duties of his or her respective office or trust or in relation thereto unless the same shall</p>	<p>Under Guernsey Companies Law, any provision that purports to exempt a director of to any extent from any liability that would otherwise attach to him in connection with any negligence, default, breach of duty or breach of trust in relation to the company is void.</p>	<p>Cayman Islands law, in certain circumstances, permits a company to limit the liability of a director to the company. The considerations under Cayman Islands law with regard to the limitation of a director's liability are similar to those that apply to the enforcement of provisions relating to the indemnification of directors. A</p>

	Rights of Holders of Shares in Ontario Company	Rights of Holders of Shares in Guernsey Company	Rights of Holders of Shares in Cayman Company
	<p>happen by or through his or her failure to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of the corporation and in connection therewith to exercise the degrees of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstance.</p>		<p>Cayman Islands court will enforce such a limitation except to the extent that enforcement of the relevant provision may be held to be contrary to public policy.</p> <p>Cayman Islands law will not allow the limitation of a director's liability for his own, fraud, willful neglect or willful default.</p>
Duties and Powers of Directors	<p>Under the OBCA, the board of directors is to supervise the management of and the business and affairs of the corporation, subject to any unanimous shareholder agreement.</p> <p>Under the OBCA, every director and officer of a corporation, in exercising their powers and discharging their duties, shall:</p> <ul style="list-style-type: none"> • act honestly and in good faith with a view to the best interests of the corporation; • exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. 	<p>Under Guernsey Companies Law, the board of directors of a Guernsey company is, subject to the company's memorandum and articles, charged with the management of the business and affairs of the corporation and has all the powers necessary for managing, and for directing and supervising the management of, the business and affairs of the corporation.</p> <p>Pursuant to the Articles, the directors shall manage the business of the company and may exercise all such powers as are not, by Guernsey Companies Law or the Articles, required to be exercised by the company in a general meeting.</p>	<p>The directors of a Cayman Islands company may exercise all such powers to govern the company as are not, by law or its articles, required to be exercised by its members.</p> <p>There is no statutory codification under Cayman Islands law of the duties of the directors of a Cayman Islands company. General duties derive from English common law, which have been imported into Cayman Islands law by decisions of the Cayman Islands courts. The duties of a director under Cayman Islands law can be divided into duties at common law, being those of skill, care and diligence, and fiduciary duties. A director is normally only obliged to exhibit such skill as he actually possesses and such care and diligence as would be displayed by a reasonable man in the circumstances. An executive director will be required to keep himself informed as to the financial affairs of the company and to play an appropriate role in its management. A non-executive director will be expected to attend to the affairs of the company with the level of diligence that, in all the circumstances, is reasonably necessary to enable him properly to ensure that the judgment he exercises is not only independent but also</p>

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			properly informed, and to ensure that his supervision of the executive management is effective. A director is also in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty to exercise the powers vested in him for a proper purpose, a duty not to fetter the future exercise of his powers and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party.
Vacancies	Subject to the OBCA, a quorum of the board of a corporation may fill a vacancy in the board unless that vacancy is a result of an increase in the maximum number of directors or from a failure of the shareholders to elect the number of directors required.	Guernsey Companies Law does not set out rules regarding board vacancies. The Articles provide that the directors have the power to fill a casual vacancy.	Avnel Cayman's articles provide that the directors have the power to appoint a director to fill a casual vacancy, provided that, the total number of directors shall not at any time exceed the number fixed in accordance with Avnel Cayman's articles. The members may also, by ordinary resolution, appoint a director to fill a vacancy.
Directors' Meetings	Section 126 of the OBCA sets out detailed requirements prescribing the manner in which directors' meetings shall be held.	Guernsey Companies Law allows for directors' meetings to be regulated by the articles of a company and, as such, a company's articles can be tailored to meet any number of specific requirements. Avnel's articles of association set out in detail the procedure required for directors' meetings.	Avnel Cayman's articles of association set out in detail the procedure required for directors' meetings.
MEMBERS MEETINGS			
Quorum of Shareholders	Typical by-laws provide that the presence of two persons present in person, each being a shareholder entitled to vote or a duly appointed proxy or proxy holder for an absent shareholder so entitled, holding or	Under Guernsey Companies Law, in the case of a company having only one member, one qualifying person (a member or an appointed proxy) present at a meeting is a quorum. In any other case, subject to the provisions of the company's	Avnel Cayman's articles provide that no business shall be transacted at any general meeting unless a quorum of members is present, being two members present in person or by proxy or one member where

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	<p>representing in the aggregate not less than a specified number of the issued shares of the corporation with voting rights at such meeting will constitute quorum for the transaction of business at the meeting of shareholders.</p> <p>Under the OBCA, the holders of a majority of the shares entitled to vote at the meeting constitute a quorum, unless the by-laws provide otherwise.</p>	<p>articles, two qualifying persons –</p> <p>(a) holding 5% of the issued share capital (excluding any share capital represented by treasury shares) between them where the company is limited by shares, or</p> <p>(b) holding 5% of the total voting rights of the company where the company does not have shareholders, or has shareholders and other types of members,</p> <p>present at a meeting are a quorum unless each is a qualifying person because he is appointed as proxy of a member in relation to the meeting and they are proxies of the same member; and, for the avoidance of doubt, one qualifying person may be a quorum if the articles so provide.</p> <p>The Articles provide that two shareholders present in person and entitled to vote shall be a quorum at a general meeting.</p>	<p>there is only one member of record.</p>
Annual General Meeting	<p>Under the OBCA, the annual meeting of the corporation must be called by the directors not later than 15 months after holding the last preceding annual meeting.</p>	<p>Under Guernsey Companies Law and the Articles, the first general meeting of the company shall be held within a period of not more than 18 months from the day on which Avnel is entitled to commence business. Annual general meetings shall thereafter be held at least once a year and not later than 15 months since the last meeting.</p> <p>Under Guernsey Companies Law, the requirement to hold an annual general meeting may be waived by the passing of a waiver resolution.</p>	<p>As an exempted company, under the Companies Law and Avnel Cayman's articles of association, Avnel Cayman may but is not obliged to hold an annual general meeting.</p>
Notice of Shareholders Meetings	<p>Under the OBCA, notice of a general meeting of a corporation's shareholders must be given to the shareholders entitled to vote (and the directors and auditors) at least 21 days (but not more than 50 days) before the date of the</p>	<p>Under Guernsey Companies Law, a general meeting must be called by notice of at least 10 days or such longer period as the company's articles may provide. A general meeting may be called with shorter notice if all shareholders entitled to vote so agree. The notice must: (a) state the time and date of the</p>	<p>Avnel Cayman's articles require at least five days' notice to be given for any general meeting (exclusive of the day on which it is given). Notice shall specify the place, the day and the hour of the meeting and the general nature of the business to be</p>

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	<p>meeting.</p> <p>The notice of an annual meeting need not include a description of the purpose or purposes for which the meeting is called. A notice of a meeting at which special business is to be transacted must state the nature of that business in sufficient detail to permit the shareholder to form a reasoned judgment thereon, as well as the text of any special resolution to be submitted to the meeting. Any business, other than the election of directors, reappointment of the incumbent auditor and consideration of the financial statements and auditor's report, is deemed to be special business.</p>	<p>meeting; (b) state the place of the meeting; (c) contain any information required by the memorandum and articles in respect of an ordinary resolution to be proposed at the meeting; (d) in respect of special resolutions, waiver resolutions and unanimous resolutions, the notice must contain the text of the resolution and that it is to be proposed as a special, waiver or unanimous resolution, as applicable.</p> <p>The Articles provide that notice of general meetings shall be given between 21 and 60 clear days before the meeting and shall specify the place the day and the hour of the meeting and in the case of special business, the general nature of that business and the text of any proposed resolution. Each member entitled to receive notice of an annual meeting shall receive a copy of the company's annual financial statements and directors' report.</p>	<p>transacted.</p>
Calling Meetings	<p>Under the OBCA, the board of directors of a corporation may call a special meeting of shareholders at any time.</p> <p>The OBCA further provides that the holders of not less than 5% of the issued shares of a corporation that carry the right to vote at a meeting may requisition the directors to call a meeting of shareholders for the purposes stated in the requisition.</p>	<p>Under Guernsey Companies Law, the directors of a company may call a general meeting of the company. Notwithstanding anything to the contrary in the company's memorandum or articles, members who hold more than 10% of a company's voting shares may also require the directors to call a general meeting by stating the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may be properly moved at the meeting. Directors must call such a general meeting of within 21 days, to be held on a date not more than 28 days after the date of the notice convening the meeting.</p> <p>Similarly, under the Articles, directors may call extraordinary meetings (any meeting other than an annual general meeting)</p>	<p>Avnel Cayman's articles of association provide that the directors may, whenever they think fit, and they must on the requisition of members holding at the date of the deposit of the requisition not less than 1/10 of the paid up capital of Avnel Cayman carrying the right of voting at general meetings, proceed to convene a general meeting.</p>

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		whenever they think fit and shareholders holding at least 10% of the voting shares may requisition in writing for an extraordinary general meeting to be convened. The directors shall, subject to certain restrictions, be required to call such a meeting to transact the shareholder-proposed business.	
Shareholder Proposed Resolutions	<p>The OBCA entitles a registered or beneficial holder of a corporation's shares eligible to be voted at its annual shareholder meeting to submit to a corporation notice of any matter that the person proposes to raise at the meeting ("Proposal") and discuss at the meeting any matter in respect of which the person would have been entitled to submit a Proposal. If a corporation receives notice of a Proposal and is soliciting proxies, it would then be required to set out the Proposal in its management proxy circular (and, if requested by the person submitting the Proposal, include or attach the Proposal and a statement in support of the Proposal not exceeding 500 words in the aggregate). However, a Proposal for the nomination for the election of directors is required to be signed by the holders of at least 5% of the outstanding shares entitled to vote at such meeting. The OBCA provides for exemptions from the requirements to include a proposal in a corporation's management proxy circular in circumstances including where:</p> <ul style="list-style-type: none"> • the proposal is not submitted at least 60 days before the anniversary date of the last annual meeting, if the matter is proposed to be raised at an annual meeting, or at least 60 days before a meeting other than the annual meeting, if the 	<p>Under Guernsey Companies Law and as noted in the previous section, members who hold more than 10% of a company's voting shares may also require the directors to call a general meeting by stating the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may be properly moved at the meeting. In addition, members holding at least 5% of the voting shares may require the company to circulate a resolution that may properly be moved and is proposed to be moved as a written resolution. They may require the company to circulate with it a statement of not more than 1,000 words on the subject matter of the resolution.</p> <p>According to the Articles, further to the rights of shareholders to call general meetings (as described above), any shareholder entitled to vote at a meeting may submit a proposal if the shareholder holds voting shares equal to at least 1% of the total voting shares outstanding and worth at least \$1000 and has held the shares for at least 6 months. The company is not required to circulate a shareholder proposal if (i) it is not submitted at least 90 days before the anniversary date of the notice of the last meeting; (ii) it clearly appears that the proposal is primarily for the purpose of enforcing a personal claim or redressing a personal grievance; (iii) it does not relate to the business of Avnel; (iv) the</p>	<p>A requisition by members for a general meeting must state the objects of the meeting and must be signed by the requisitionists and deposited at the Registered Office of Avnel Cayman. If, within 21 days, the directors do not convene a meeting, the requisitionists (or any one of them holding more than ½ the total voting rights of all of them) may themselves convene a general meeting.</p> <p>In addition, the articles of Avnel Cayman provide that a resolution in writing signed by all members entitled to receive notice of and to attend and vote at a general meeting shall be valid and effective as if the same had been passed at a general meeting.</p>

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	<p>matter is proposed to be raised at a meeting other than the annual meeting;</p> <ul style="list-style-type: none"> • it clearly appears that the primary purpose of the proposal is to enforce a personal claim or redress a personal grievance against the corporation or its directors, officers or security holders; • it clearly appears that the proposal does not relate in a significant way to the business or affairs of the corporation; • substantially the same proposal failed to receive a certain amount of support at a prior meeting held not more than five years before the receipt of the proposal; or • not more than two years before the receipt of a proposal, the proponent failed to present a proposal at a prior meeting that had been included in the management proxy circular at the proponent's request. 	<p>shareholder made a proposal within the last two years and failed to show up, in person or by proxy, at the meeting; (v) substantially the same proposal was submitted within the last 5 years and the prescribed level of support (3% of the total shares voted) was not obtained; (vi) the right to submit the proposal is being abused for publicity. A proposal may include nominations for the elections of directors only if it's signed by the holders of at least 5% of the shares entitled to vote.</p>	
Passing Resolutions at a General Meeting	<p>Under the OBCA, a resolution at a general meeting of a corporation's shareholders is to be passed by a simple majority of votes cast by the shareholders entitled to vote on the resolution.</p>	<p>Under Guernsey Companies Law, an ordinary resolution of the members (or of a class of members) of a company means a resolution passed by a simple majority.</p>	<p>The articles of Avnel Cayman provide that a resolution at a general meeting put to vote shall be decided on a show of hands unless a poll is, before or on the declaration of the result of the show of hands, demanded by the chairman or any other member present in person or by proxy.</p> <p>On a show of hands, every member present in person or by proxy will have one vote and on a poll every member present in person or by proxy will have one vote for every share held.</p> <p>Ordinary resolutions will be passed by a simple majority of votes and, in the case of an equality of votes, the chairman</p>

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			will be entitled to a second or casting vote.
Special Resolutions	<p>Under the OBCA, a special resolution must be passed by a majority of not less than two-thirds of the votes cast by the shareholders entitled to vote on the resolution. Approval by special resolution of the shareholders is required for such actions as:</p> <ul style="list-style-type: none"> • amending a corporation's articles; • changing a corporation's name; • increasing or reducing stated capital, if the corporation's stated capital is stated in its articles; • undertaking a voluntary liquidation and dissolution; • amalgamating with another arm's length corporation; • continuing under the laws of another jurisdiction; and • undertaking the sale, lease or exchange of all or substantially all of the property of the corporation other than in the ordinary course of business. 	<p>For companies governed by Guernsey Companies Law, a special resolution of the members (or of a class of members) of a company means a resolution passed by a majority of not less than 75%. In addition, Guernsey Companies Law requires that all special resolutions be filed with the Guernsey registrar of companies within 30 days of being passed.</p>	<p>Under the Companies Law and the articles of Avnel Cayman, a special resolution must be passed by a majority of at least two-thirds of members entitled to vote and voting by person or by proxy at a general meeting or by a written resolution signed by all members entitled to vote.</p> <p>A special resolution is required for Avnel Cayman to:</p> <ul style="list-style-type: none"> • amend its memorandum of association and its articles of association; • reduce its share capital, any capital redemption reserve fund or any share premium account; • appoint inspectors for the purpose of examining the affairs of Avnel Cayman • change its name or alter its objects; • issue redeemable shares; • voluntarily wind up Avnel Cayman or to distribute assets in kind upon winding up or effect winding up by the Court; or • stay a voluntary winding up.
Presence at Meeting	<p>Unless the articles or the by-laws provide otherwise, a meeting of the shareholders may be held by telephonic or electronic means and a shareholder who, through those means, votes at the meeting or establishes a communications link to the meeting shall be deemed to be</p>	<p>Under Guernsey Companies Law, subject to any provision to the contrary in a company's articles, if a member is, by any means, in communication with one or more other members so that each member participating in the communication can hear or read what is said or communicated by each of the others, each member</p>	<p>The Companies Law and the articles of Avnel Cayman are silent on whether general meetings may be held by way of telephone or video conference. English case law, which is likely to be followed by the courts of the Cayman Islands, has held that it is not necessary for the participants</p>

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	present at the meeting.	so participating is deemed to be present at a meeting with the other members so participating.	of a meeting to be in the same place and face to face for a meeting to be properly constituted, where such a face to face meeting may not be practicable. In addition, the articles of Avnel Cayman provide that a resolution in writing signed by all members entitled to receive notice of and to attend and vote at a general meeting shall be valid and effective as if the same had been passed at a general meeting.
Place of Meeting	Subject to the articles and any unanimous shareholder agreement, a meeting of shareholders shall be held at such place in or outside Ontario as the directors determine or, in the absence of such a determination, at the place where the registered office of the corporation is located.	Subject to the provisions of a company's articles, a general meeting may be held at any place in Guernsey or elsewhere. The Articles provide that the annual general meeting shall be held at such time and place as the directors shall appoint.	Meetings may be held within or outside the Cayman Islands. Avnel Cayman's articles specify that any annual general meeting shall be held at such time and place as the directors shall appoint.
Record Date	For the purpose of determining shareholders entitled to receive notice of a meeting of shareholders, the directors may fix in advance a date as the record date for such determination of shareholders, but the record date shall not precede by more than 60 days or by less than 30 days the date on which the meeting is to be held.	Under the Articles, shareholders entitled to notice and to vote at a general meeting shall be those who appear in the register on the record date fixed by the directors in respect of such meeting.	Avnel Cayman's articles of association provide that the directors may fix in advance a date as the record date for a determination of members entitled to notice of or to vote at a meeting of members and for the purpose of determining the members entitled to receive payment of any dividend the directors may, within 90 days prior to the date of declaration of such dividend, fix a subsequent date as the record date for such determination. If no record date is fixed and the register of members has not been closed by the directors, the date on which notice of the meeting is mailed or the date on which the resolution of directors declaring the dividend is adopted, as the case may be, shall be the record date for such

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			determination of members.
RELATIONSHIP BETWEEN COMPANY AND ITS MEMBERS			
Derivative Action; Shareholder Class Action; and the Oppression Remedy	<p>Subject to certain prescribed requirements, section 246 of the OBCA allows shareholders, among others, to apply to a court of competent jurisdiction in the name and on behalf of the corporation, or intervene in any action to which the corporation is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the corporation.</p> <p>To bring a derivative action, it is first necessary to obtain the leave of the court. The granting of leave is not automatic, but requires the court to exercise judicial discretion. The court may grant leave if:</p> <ul style="list-style-type: none"> • the complainant has given notice to the directors of a corporation or its subsidiary of the complainant's intention to apply to the court not less than 14 days before bringing the application, or as otherwise ordered by the court, if the directors of the corporation or its subsidiary do not bring, diligently prosecute or defend or discontinue the action; • the complainant is acting in good faith; and • it appears to the court that it is in the interests of the corporation or its subsidiary for the legal proceeding to be brought, prosecuted, defended or discontinued. <p>The court has broad powers to direct the conduct of any such legal proceeding.</p> <p>The OBCA provides that a corporation's shareholder or the Ontario Securities Commission</p>	<p>Under Guernsey Companies Law, any member of a company may apply to court for an order restraining the company from acting beyond its powers.</p> <p>Alternatively, Guernsey Companies Law makes specific provision to enable a shareholder to apply to the court for relief on the ground that the affairs of the corporation are being or have been conducted in a manner that is unfairly prejudicial to the interests of shareholders generally or some part of its shareholders (including at least himself) or any actual or proposed act or omission of the corporation is or would be so prejudicial. In such circumstances, the court has wide discretion to make orders to regulate the conduct of the corporation's affairs in the future, to require the corporation to refrain from doing or continuing to do an act that the applicant has complained it has omitted to do, to authorize civil proceedings to be brought in the name and on behalf of the corporation and to provide for the purchase of shares of any shareholder of the corporation by other members or by the corporation itself.</p>	<p>Derivative Action: The concept of derivative action exists as a matter of Cayman Islands law. A shareholder of a Cayman Islands company can commence, intervene and continue proceedings on behalf of that company by way of common law derivative action. However, unless a plaintiff can demonstrate that the proceedings he seeks to commence, or intervene and continue, fall within one of the established exceptions to the rule in <i>Foss v Harbottle</i>, he has no standing as a matter of Cayman Islands law to bring derivative proceedings on behalf of the company. In this regard, the Cayman Islands follows the common law principles that the proper plaintiff in an action in respect of a wrong alleged to have been done to a company is the company itself and that the court will not interfere with the internal management of companies acting within their powers. The exceptions to the rule apply in the following circumstances: (i) where the act of the director complained of is illegal or ultra vires and, therefore, is incapable of being ratified by the members; (ii) where the act complained of is a 'fraud' on the minority and the alleged wrongdoers are in control of the company thus stifling any possible claim; and (iii) where there is an irregularity in the passing of a resolution that requires a special majority. The rule, and the exceptions to the rule, in <i>Foss v Harbottle</i> form part of the common law of the Cayman Islands, having been applied in a number of Cayman Islands</p>

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	<p>may apply to a court for an order directing an investigation to be made of the corporation and any of its affiliated corporations. For the court to make such an order of investigation, among other requirements, it must appear to the court that the business of the corporation or any of its affiliates has been carried on with intent to defraud a person or that powers of the directors were exercised in a manner that was oppressive or unfairly prejudicial to the interests of a shareholder. No person may publish anything relating to the application for investigation except with the authorization of the court or the written consent of the corporation being investigated.</p> <p>In addition, a “complainant” (as that term is defined under the OBCA, which includes shareholders, former shareholders, directors and officers, former directors and officers, and any other persons who, in the discretion of the court, are proper persons to bring an action) who complains that:</p> <ul style="list-style-type: none"> · any act or omission of the corporation or any of its affiliates effects or threatens to effect a result; · the business or affairs of the corporation or any of its affiliates have been or are threatened to be carried on or conducted in a manner; or · the power of the directors of the corporation or its affiliates have been or are threatened to be exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of any security holder, creditor, director or officer, may apply to the court for an order to rectify the matters complained 		<p>cases. In the leading judgment of the Cayman Islands Court of Appeal in <i>Schultz v. Reynolds</i> 1992-93 CILR, Zacca, P. cited well-known English authorities on the rule which he clearly accepted as reflecting also the law of the Cayman Islands.</p> <p>Representative Action: The Grand Court Rules provide that if a number of people have the same legal interest in proceedings, the proceedings may be begun and continued by or against one or more of them as representing them all. Thus a shareholder may bring an action on behalf of himself and all his fellow members. If a common interest and grievance exists a representative action is possible if the relief sought is beneficial to all whom the plaintiff proposes to represent. A judgment will usually bind all represented persons.</p> <p>The doctrine of reflective loss has been recognised in the Cayman Islands in a number of Cayman Islands cases, and is applicable to both derivative and representative actions. Accordingly, a loss claimed by a shareholder which is merely reflective of a loss suffered by the company - i.e. a loss which would be made good if the company had enforced in full its rights against the defendant wrongdoer - is not recoverable by the shareholder; save in a case where, by reason of the wrong done to it, the company is unable to pursue its claim against the wrongdoer.</p> <p>Oppression Remedy: There is no free standing oppression remedy in the Cayman Islands. However, a shareholder may present a winding up petition on the just and equitable basis alleging that the affairs of the</p>

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	<p>of.</p> <p>This remedy is known as the “oppression remedy”.</p> <p>The powers of the court under the OBCA in making an order are broad: it may make any order it thinks fit, from a simple order amending a corporation's by-laws to an order liquidating and dissolving the corporation.</p>		<p>company are being conducted in a manner which is oppressive or prejudicial to the shareholders or part of them under section 94(d) of the Companies Law. Categories of oppression likely to satisfy section 94(d) include: (i) oppressive conduct or the breaches of fiduciary duty by directors or promoters; (ii) unfairness; (iii) unconscionable use of majority shareholders’ voting power resulting in financial loss or discriminatory treatment of the minority. The court will not be concerned with the soundness of business decisions or mere carelessness. If satisfied that there has been oppression the court may order that the company be wound up. Alternatively, the court may grant such remedies as it considers appropriate in the circumstances.</p>
Inspection of Books	<p>Under the OBCA, a shareholder or creditor of a corporation, their agent or legal representative may examine the corporate records (including the securities register, articles and by-laws, minutes of meetings and resolutions of shareholders) at the corporation’s registered office or such other place where such records are kept during the corporation’s usual business hours and may take extracts from those records, free of charge. If a corporation is an “offering corporation” (as defined in the OBCA), any other person may examine the corporation’s corporate records upon payment of a reasonable fee.</p>	<p>Under Guernsey Companies Law, any member or director has the right to inspect the register and index of members and the register of directors without charge, and any other person may inspect upon payment of the prescribed fee.</p> <p>According to the Articles, shareholders are entitled, on giving not less than one day’s notice, to inspect the memorandum and articles of association, the register of shareholders and other specified documents, not including the minutes of proceedings at directors’ meetings.</p>	<p>Members of a Cayman Islands exempted company do not have any general rights to inspect or obtain copies of the list of members or corporate records of the company (other than the register of mortgages and charges, which the Companies Law requires be kept and open to inspection at the company’s registered office by any member or creditor of the company at all reasonable times and the memorandum and articles of association, which the Companies Law requires a company to forward to a member upon request).</p> <p>A member’s right to information can also be derived from contract and, in this regard, the articles of Avnel Cayman provide that the directors shall determine whether and to what extent the accounts and books of Avnel Cayman shall be open to the</p>

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			inspection of members and no member shall have any right of inspecting any account of book or document of Avnel Cayman except as conferred by law or authorised by the directors or by Avnel Cayman in general meeting.
Shareholder Consent to Action Without Meeting	<p>Subject to the restrictions set out in the OBCA:</p> <p>(a) a resolution in writing signed by all the shareholders or their attorney authorized in writing entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders; and</p> <p>(b) a resolution in writing dealing with all matters required by the OBCA to be dealt with at a meeting of shareholders, and signed by all the shareholders or their attorney authorized in writing entitled to vote at that meeting, satisfies all the requirements of the OBCA relating to that meeting of shareholders.</p>	<p>Under Guernsey Companies Law, the directors may circulate, or members holding at least 5% of the voting shares may require the company to circulate, a resolution that may properly be moved and is proposed to be moved as a written resolution. Shareholders may require the company to circulate with it a statement of not more than 1,000 words on the subject matter of the resolution.</p> <p>A written resolution must circulate a copy of the proposed resolution, at the same time so far as reasonably practicable, to all eligible shareholders, accompanied by a statement informing the shareholder how to signify agreement to the resolution and the date by which it must be passed. If the written resolution has been required by the shareholders pursuant to the above, it must be circulated to eligible shareholders not more than 21 days after the date on which the company became subject to that requirement.</p> <p>A written resolution is passed when the requisite majority of shareholders have signified their agreement to it. A proposed written resolution will lapse if not passed within the period prescribed by the company's articles or, if none is specified, within 28 days beginning on the circulation date.</p> <p>The Articles provide that, subject to Guernsey Companies Law, a resolution in writing signed by or on behalf of the shareholders who,</p>	<p>The articles of Avnel Cayman provide that, subject to the Companies Law, a resolution in writing signed by all members being entitled to vote at general meetings shall be as valid and effective as if the same had been passed at a general meeting of Avnel Cayman duly convened and held.</p>

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		on the date when the resolution is to be passed, would be entitled to vote on the resolution if it were proposed at a meeting, shall be effective as if the same had been duly passed at a general meeting.	
Amending of Governing Documents	An amendment to an Ontario corporation's articles must be authorized by a special resolution of the shareholders.	<p>Guernsey Companies Law prohibits any alterations to a company's memorandum except to the manner and extent expressly provided for by the statute, including: (a) to reflect a change of name; (b) if it migrates out of Guernsey; (c) if it converts to a different type of company; (d) to alter its objects; (e) to add or amend any information additional to the information required to be included in accordance with the terms of the memorandum or by unanimous resolution. Articles may be amended by special resolution.</p> <p>As set out in Avnel's articles of association, Avnel may, by special resolution, amend the memorandum and articles of association for various listed purposes, such as name changes; jurisdiction changes; removing restrictions on the business of the company; adding, amending or removing restrictions on the issue, transfer or ownership of shares; any other provision permitted by the Guernsey Companies Law to be set out in the Articles; amalgamating with another company; and liquidating or dissolving the company.</p>	The Companies Law provides that a Cayman company's memorandum of association and articles of association may only be amended by a special resolution of its shareholders, save that a company may, by ordinary resolution, if so authorised by its articles of association, amend its memorandum of association to (i) increase its share capital; (ii) consolidate and divide all or any of its share capital into shares of a larger amount; (iii) convert all or any of its paid-up shares into stock, and reconvert that stock into paid-up shares or any denomination; (iv) subdivide its shares or any of them in to shares of a smaller amount; and (v) cancel shares which have not been taken or agreed to be taken by any person. the authorisation to amend the share capital provisions of the memorandum or association by ordinary resolution is included in Avnel Cayman's articles of association.
Sale of Assets	If a corporation undertakes the sale, lease or exchange of all or substantially all of the property of the corporation other than in the ordinary course of business, a special resolution of the shareholders is required.	Under Guernsey Companies Law, the board of directors of a Guernsey company is, subject to the company's memorandum and articles, charged with the management of the business and affairs of the corporation and has all the powers necessary for managing, and for directing and supervising the management of, the business and affairs of the corporation.[Under Guernsey Companies Law, a company	Directors of a Cayman company, without shareholder approval, may, among other things, affect certain sales, transfers, exchanges or dispositions of assets, property, parts of the business or securities of the company, or any combination thereof, if they determine any such action to be in the best interests of the company. There is no restriction on the sale of assets

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		<p>requires a special resolution to affect a voluntary wind up.]¹</p> <p>Under the Articles, it may sell, lease or exchange all or substantially all of Avnel's assets other than in the ordinary course of business, provided such a transaction is approved by way of extraordinary resolution (a resolution at the general meeting of Avnel passed by a majority of not less than 2/3 of the votes recorded, including proxy votes).</p>	<p>in the articles for Avnel Cayman.</p> <p>Under the Companies Law, unless a period of duration or winding up event has been specified in a company's articles (which is not the case for Avnel Cayman) a special resolution is required to voluntarily wind up a company.</p>
Merger, Amalgamation, Arrangements, etc.	<p>An amalgamation agreement between two Ontario corporations is adopted when the shareholders of each amalgamating corporation have approved of the amalgamation by a special resolution of the holders of the shares of each class or series entitled to vote thereon</p>	<p>Under Guernsey Companies Law, a special resolution is required to approve a merger/amalgamation, unless the proposed merger/amalgamation is between a company and its wholly-owned subsidiary, in which case, board approval is all that is required.</p> <p>A scheme of arrangement must be sanctioned by the Guernsey court and approved by a majority of shareholders representing 75% in value of the shareholder or class of shareholders affected or creditors or class of creditors affected.</p> <p>The UK Takeovers Panel (Panel) regulates takeovers and mergers in Guernsey that fall within the ambit of the UK City Code on Takeovers and Mergers (Code). The Code has applied to publicly traded companies in Guernsey since its creation. The Code applies to all:</p> <ul style="list-style-type: none"> • Takeover bids and merger transactions. • Transactions which have the objective or potential effect of obtaining or consolidating control of the relevant company. • Partial offers to shareholders for 	<p>There are a number of mechanisms for acquiring a Cayman Islands company including: (1) a court-approved "scheme of arrangement" under the Companies Law; (2) through a tender offer by a third party; and (3) through a merger or consolidation between the Cayman Islands company and another company incorporated in the Cayman Islands or another jurisdiction (provided the merger or consolidation is allowed by the laws of that other jurisdiction).</p> <p>A scheme of arrangement with one or more class of shareholders requires the sanction of the scheme of arrangement by the Cayman Islands Grand Court and the approval of the directors and a majority in number majority in number of the shareholders holding shares representing at least 75% in value of each affected class of shares of the company voting in person or by proxy. If a scheme of arrangement receives the approval of shareholders of a company and is subsequently sanctioned by the Cayman Islands Grand Court, all holders of the relevant shares or class of shares of the company will</p>

¹ CO comment: is this relevant to this section?

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		<p>securities in the relevant companies.</p> <ul style="list-style-type: none"> • Unitisation proposals (that is, offers) which compete with another transaction to which the Code applies. <p>Similarly, the Articles require a special resolution in order to amend the memorandum and articles to enter into an amalgamation with another company or companies.</p>	<p>be bound by the terms of the scheme of arrangement.</p> <p>The Companies Law provides that when an offer is made for all of the shares, or all of the shares of a particular class, of a Cayman Islands company and, within four months of the offer, the holders of not less than 90% in value of the shares that are the subject of the offer accept the offer, the offeror may, by notice given within two months after the expiration of that four-month period, require the dissenting shareholders of the relevant class to transfer their shares on the same terms as the original offer. Dissenting shareholders will have one month from the date notice is given to apply to the Grand Court to give reasons why the shares should not be purchased, but unless the court orders otherwise, the offeror is entitled and bound to acquire the shares of the dissenting shareholders on the same terms as the original offer.</p> <p>A merger or consolidation requires: (a) a written plan of the merger or consolidation to be approved by the directors of each constituent company; (b) approval of the plan by a special resolution of each constituent company; (c) the consent of each holder of a fixed or floating security interest of a constituent company unless this requirement is waived by the Grand Court; and (d) such other authorization, if any, as may be specified in each such company's constitutive documents. Once approved, the plan must be filed with the Registrar of Companies, together with the prescribed supporting documents, and the merger or consolidation will be effective upon registration</p>

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			unless the plan provides that it will take effect on a future date not later than 90 days after the date of registration.