TORONTO, ONTARIO--(Marketwired - Feb 4, 2016) - African Gold Group, Inc. (TSX VENTURE:AGG) ("AGG" or the "Company") is pleased to announce the completion of the Feasibility Study for the Kobada Gold Project. The Study demonstrates the robust nature of the project, with an "All In Sustaining Costs" ("AISC") of US$788 per ounce and free cash flow of US$122 million net of all capital expenditure, operating costs, royalties and taxation in Mali, at a gold price of US$1,200 per ounce.

The Feasibility Study establishes the maiden Mineral Reserve for the project, containing 511,000 ounces of gold within two oxide open pits. A body of comprehensive test work, undertaken as part of the study, confirms the project's processing methodology and confirms the robust economic parameters established in the Preliminary Economic Assessment, published December 23, 2014.

The Company plans to use the Feasibility Study to support funding initiatives for the development of the Kobada Gold Project.

FEASIBILITY STUDY HIGHLIGHTS

- Feasibility Study contemplated a mining and processing operation treating only oxide ore types.
- Proved and Probable Reserve of 12.7 million tonnes at 1.25g/t Au, containing 511,000 ounces of gold;
- Mining and processing supports gold production exceeding 50,000 ounces per annum over an eight year mine life;
- Average cash costs of US$557 per ounce of gold produced;
- All in sustaining cost (AISC) of US$788 per ounce produced;
- Total cash flow of US$122 million net of all costs, royalties and taxes at a gold price of $1,200 per ounce;
- Net present value at 5% discount rate ($NPV_{5\%}$) of US$86 million after taxation;
- Internal rate of return (IRR) of 43% after taxation.

MINERAL RESOURCE AND RESERVE ESTIMATE

The Mineral Resource estimate was announced on November 19, 2015. The total Measured and Indicated Mineral Resource contained 1,215,000 ounces of gold. The Inferred Mineral Resource contained 1,024,000 ounces of gold. The Feasibility Study only considers the processing of oxide ore types and Table 1 provides a breakdown of the oxide ore component of the Mineral Resource above a cutoff grade of 0.3g/t.

Table 1 - Oxide Mineral Resource - November 19, 2015

Mineral Resource Category	Oxide Mineral Resource		
	Mt	Au g/t	koz
Measured and Indicated	18.1	1.1	622
Inferred	10.3	0.9	290

NB: Resource is quoted above 0.3g/t Au cutoff grade

The Proved and Probable Mineral Reserve was estimated to be 12.7 million tonnes at 1.25 g/t gold containing 511,000 ounces of gold. The reserve was reported within the optimized pit design and above a cutoff grade of 0.53g/t Au. The final pit physical characteristics are summarized in Table 2 and illustrated in Figure 1.

Table 2 - Mineral Reserve Statement - February 3, 2016

Reserve	Ore Tonnes	Grade	Contained	Waste tonnes	Strip Ratio	Total Material	Total Material
Category	Mt	Au g/t	koz	Mt	W:O	Mt	MBCM
Proved	5.7	1.22	225				
Probable	7.0	1.27	286				
Total	12.7	1.25	511	41.8	3.28	54.5	26.8

NB: "Mt" denotes millions of metric tonnes, and "MBCM" means millions of bank cubic metres.

Figure 1 - General Mine Layout: http://media3.marketwire.com/docs/1041745_fig1.pdf

While the Mineral Reserve comprised only material from the Measured and Indicated Resource, there remains an important opportunity to improve the resource category of the large Inferred Mineral Resource immediately to the north and south of the reserve pits. The Company plans to complete this resource upgrade from the cash flow of a producing mine.

Pit optimization and design parameters

Pit optimization software was used to generate pit shapes, and the pit showing the highest net present value was selected for detailed design. Mineral Reserves were estimated using the following assumptions:

- Gold price of US$1,200 per ounce of gold;
- Process recovery was based on a fixed tailing grade of 0.22g/t regardless of the head grade. This was applied only to the oxide ore types. Average process recovery was 82.4%;
- Malian Royalty of 3% of gross revenue;
- Processing cost of US$6.55 per tonne processed;
- General and administrative costs of US$3.54 per tonne processed;
- Additional ore mining cost of US$0.43 per tonne ore;
- Base mining costs of US$2.24 per tonne of material mined;
- Mining dilution of 2%;
- Pit slopes based on independent geotechnical slope design recommendations.

MINING SCHEDULE

Contract mining is planned to be undertaken using 40 tonne trucks and 70 tonne excavators. This type of equipment is relatively common in Mali, which allows significant flexibility in scheduling the mining program. The mining schedule aims to deliver 1.6 million tonnes of ore per annum for processing. Figure 2 summarizes the annual tonnage and grade of ore mined.

Figure 2 - Ore mined by year and average grade: http://media3.marketwire.com/docs/1041745_fig2.pdf

The life of mine strip ratio was estimated to be 3.28 to 1 (waste tonnes to ore tonnes). The strip ratio during the first two years is maintained at less than 2 to 1 with the mining of starter pits. The final cut back is then initiated, with the mining rate increasing to 11 million tonnes per annum. Figure 3 illustrates the mining rate and strip ratio over the life of mine.

Figure 3 - Ore and waste mined by year: http://media3.marketwire.com/docs/1041745_fig3.pdf

It is the Company's aim to convert the Inferred Mineral Resource to an ore reserve, and extend the explored strike of the mineralized zone once mining commences. This strategy is focused on the shallow (less than 25 metres below surface) mineral potential in order to extend the number of years that are maintained with a low strip ratio.

ORE PROCESSING

Further test work was completed as part of the Feasibility Study. A 305kg sample of saprolite ore was obtained from 64m below surface to examine the metallurgical response of ore near the base of oxidation. The calculated recovery of gold for this sample was 80.1%. While this was lower than the 2014 testwork program, which recovered 89% of contained gold, the 2014 sample was sourced from the top 20m of the saprolite orebody. The difference between the two is likely indicative of the recovery response throughout the total depth of the saprolite orebody.

Independent test work completed since 2009 now totals 1.2 tonnes of saprolite ore over three separate samples by two different independent consultants. Each provides confirmation of the amenability of the orebody to physical separation and leaching techniques.

The process plant flow sheet is illustrated in Figure 4. It consists of a large scrubber (7.9m long x 3m diameter) to create ore slurry and remove larger rocks (+40mm). Screening of the -40mm from the scrubber separates the fine material (-1.18mm) and directs the coarse ore to further crushing. The -1.18mm slurry is then passed to a bank of hydro-cyclones for the pre-concentration stage. This pre-concentration process rejects up to 70.5% of the feed mass while recovering 94% of the gold.

Figure 4 - Simplified Processing Flow Sheet: http://media3.marketwire.com/docs/1041745_fig4.pdf

Pre-concentration is to be followed by gravity concentration consisting of InLine Pressure Jigs and Knelson centrifugal concentrators. The gravity circuit is planned to produce a concentrate representing 5% of the feed to the jigs. The tailing from the pre-concentration and gravity concentration is pumped directly to the inert Tailing Storage Facility. This tailing material has had no chemical addition and can be disposed of in an unlined impoundment.

The concentrates are then to be passed to the grinding circuit. This comprises a ball mill in closed circuit with cyclones to produce an 80% passing 125 micron grind size. Cyanide is also added to the ball mill to increase leaching residence time. Grinding is followed by intense leach reactors with leaching occurring in a high oxygen environment for around 10 hours.

After leaching, the slurry density is increased in a thickener before the remaining leach solution is recovered from a belt filter.

Pregnant solution will be fed directly to an AuRIX resin adsorption column to extract the gold from the solution and return the barren solution to the process. The solid residue from the belt filter will then be treated in an SO_2 and O_2 cyanide destruction circuit (detox) to reduce the tailings cyanide concentration to below the International Cyanide Management Code (ICMC) requirements. This residue will be stored as a dry tailing in a purpose built lined facility that will be encapsulated within the waste rock dumps.

A resin stripping, electro-winning and gold smelting system to produce dorè are located in a secure gold room. The process plant has been designed to treat 1.6 million tonnes of ore per annum, with gold produced as dorè bars ready for shipment to a refinery outside Mali. The process is expected to recover an average of 82% of the gold contained in ore, and the test work indicated that a constant tailing grade of 0.22 g/t Au can be expected. This means that a higher recovery may be achieved at higher process feed grade.

Process plant commissioning is planned to commence in September 2017. Detailed design of the plant and ordering of longer lead time items is planned to commence in July 2016 in order to meet this commissioning target.

PROJECT ECONOMICS

Gold production is planned to average in excess of 50,000 ounce per annum, as summarized in Figure 6. The cash operating cost averages US$557 per ounce over the life of mine. The All in Sustaining Cost (AISC) was estimated to average US$788. AISC includes all depreciation charges (capital expenditures) and production royalties.

Figure 6 - Gold Production and Cost: http://media3.marketwire.com/docs/1041745_fig6.pdf

Revenue of US$505 million was generated from gold sales of 420,460 ounces at a fixed gold price of US$1,200 per ounce. Royalties payable to the Malian Government total US$15.1 million and represented 3% of sales revenue.

Figure 7 - Annual CAPEX, cash flow and cumulative cash flow after tax: http://media3.marketwire.com/docs/1041745_fig7_2.pdf

Earnings before interest, tax, depreciation and amortization (EBITDA) were estimated to be $255 million after operating expenses. Taxation was estimated to be US$51.6 million, and included depreciation of capitalized project expenditures, plus US$27 million of capitalized exploration expenses incurred by the Company since 2005.

Total after tax free cash flow was estimated to be US$122 million, as shown in Table 3.

Table 3 - Annual Income Statement and Cash Flow: http://media3.marketwire.com/docs/1041745_tab3.pdf

Total pre-production capital expenditure was estimated at US$45.4 million, with an additional US$15.7 million of sustaining CAPEX and US$21.0 million of capitalized waste mining over the life of the project, as detailed in Table 4, and have been estimated between -5% and +25% level of accuracy.

Table 4 - Capital Estimate as at 3 February 2016

Item	Pre-production US$ millions	Sustaining US$ millions
Processing Plant	35.8	2.2
Tailing Storage	3.3	9.6
General Infrastructure	2.9	-
Owners Costs	3.0	-
Contingency	0.4	-
Capitalised waste mining	-	21.0
Closure	-	4.0
Total Capital	45.4	36.7

The cumulative cash flow for the project was estimated to be US$121 million over an 8 year production life. Figure 7 illustrates the cash flow while Table 3 details annual financial estimates. The project exhibited high early cash flow as a result of the ability to mine higher than average grade in the first 2 years of operation, at low waste to ore strip ratios. The payback period from commencement of capital expenditure in July 2016 is estimated to be 2.6 years, with the cumulative cash flow being positive from January 2019.

Unit operating costs are detailed in Table 5.

Table 5 - Unit Operating Costs - February 3, 2016

Item	Unit	Cost
Mining Cost	US$/t mined	1.97
Mining cost	US$/t ore	8.42
Processing cost	US$/t ore	6.55
G&A cost	US$/t ore	3.54
Total operating cost	US$/t ore	18.51

Mining costs were estimated to be $1.97 per tonne of material mined, but excluding capitalized waste stripping expenses of US$21 million. Average mining costs over the life of mine were estimated to be US$2.35 per tonne mined, including these capitalized expenditures.

The estimated processing cost of US$6.55 includes all materials handling associated with stockpile management and tailings storage.

General and Administrative cost were estimated to be US$3.54 per tonne of ore processed. This included an allowance of 1% of gross revenue to fund the Company's obligations under the Community Development Plan, which was established in conjunction with the mining license and environmental permits. In addition, the construction of an all-weather road and a permanent bridge over the Fié River will provide year round access to the local villages and provide reliable access to markets for local produce. The total directly employed workforce is estimated to be in excess of 180 employees and contractors, with camp facilities to house up to 100 staff and employees.

Sensitivity to Gold Price

Examination of the Project's cash flow to the key variable of gold price illustrates the robust nature of the project. Table 6 details the undiscounted cash flow, discounted cash flow, internal rate of return and payback period at varying gold prices.

At the base gold price of US$1,200 per ounce, the Kobada Project exhibits an NPV of US$86 million, at a discount rate of 5%. The internal rate of return (IRR) was 43% and payback of capital expenditures achieved in 2.6 years. The NPV and IRR are based on the project's free cash flow which is reported net of all costs and Malian taxes.

Table 6 - Sensitivity to Gold Price

Gold Price	US$/oz	900	1,000	1,100	1,200	1,300	1,400
After tax cash flow	US$M	38	68	95	121	148	174
$NPV_{5.0\%}$ after tax	US$M	22	45	66	86	106	126
Internal Rate of Return	%	17%	28%	36%	43%	49%	55%
Payback Period	years	5.8	3.4	2.8	2.6	2.4	2.3

NB: Undiscounted cash flow, $NPV_{5\%}$, IRR and payback period are all calculated on the Project's free cash flow after taxation at each stated gold price.

Figure 8 illustrates this data.

Figure 8 - Sensitivity to Gold Price: http://media3.marketwire.com/docs/1041745_fig8.pdf

Qualified Person's Statement

The scientific and technical information in this report that relates to the mining engineering of the project is based on information reviewed by Mr John Dunlop, who is an independent consultant to AGG. Mr Dunlop is a Certified Practicing Fellow of the Australian Institute of Mining and Metallurgy, a Life Member of the Canadian Institute of Mining & Metallurgy, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Qualified Person" as defined in National Instrument 43 -101 - Standards of Disclosure for Mineral Projects ("NI 43-101") of the Canadian Securities Administrators. Mr Dunlop is the Qualified Person overseeing AGG's open pit design and has reviewed and approved the disclosure of all scientific or technical information contained in this announcement.

The scientific and technical information in this report that relates to the metallurgy of the deposits is based on information compiled by Mr Michael Braaksma, who is a consultant to Gekko Systems Pty Limited. Mr Braaksma is a Certified Practicing Member of the Australian Institute of Mining and Metallurgy, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Qualified Person" as defined in National Instrument 43 -101 - Standards of Disclosure for Mineral Projects ("NI 43-101") of the Canadian

Securities Administrators. Mr Braaksma is the Qualified Person overseeing AGG's processing testwork and design and has reviewed and approved the disclosure of all scientific or technical information contained in this announcement.

The scientific and technical information in this report that relates to the estimation of the mineral resource is based on information compiled by Mr. Brian Wolfe, who is a consultant to African Gold Group Inc. Mr. Wolfe is a Member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Qualified Person" as defined in National Instrument 43 -101 - Standards of Disclosure for Mineral Projects ("NI 43-101") of the Canadian Securities Administrators. Mr. Wolfe is the Qualified Person overseeing AGG's mineral resource estimates and has reviewed and approved the disclosure of all scientific or technical information contained in this announcement.

Mr. Declan Franzmann, President and CEO of African Gold Group, commented, "*the Company is now armed with a Feasibility Study that demonstrates the robust nature of the Kobada Gold Project. The study shows that the oxide orebody at Kobada is simple to mine and simple to process. This means that mining is low cost and can be exploited utilising equipment readily available in Mali. Equally, the capital requirements for the processing plant are modest with operating costs that are comparable with a heap leach operation, but with faster, more reliable gold recovery. The Company is now focussed on securing project finance to develop Kobada.*"

On Behalf of the Board of Directors:

Declan Franzmann, President and CEO

About African Gold Group

African Gold Group is a Canadian exploration and development company that is focused on West Africa. African Gold Group is positioned to grow in value as it progresses the Kobada Gold Project through development and into production. For more information regarding African Gold Group visit our website at www.africangoldgroup.com.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Forward-Looking Statements

This press release includes certain "Forward-Looking Statements." All statements, other than statements of historical fact included herein, including without limitation, statements regarding future plans and objectives of African Gold Group; and statements regarding the ability to develop and achieve production at Kobada are forward-looking statements that involve various risks and uncertainties.

There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from African Gold Group's expectations have been disclosed under the heading "Risk Factors" and elsewhere in African Gold Group's documents filed from time-to-time with the TSX Venture Exchange and other regulatory authorities. African Gold Group disclaims any intention or obligation to update or revise any forward looking statements whether resulting from new information, future events or otherwise, except as required by applicable law.

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