

Avala Announces Proposed Acquisition by Dundee Precious Metals of Minority Equity Interest

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LONGUEUIL, Feb 12, 2016 - [Avala Resources Ltd.](#) ("Avala" or the "Company") (TSX VENTURE:AVZ) wishes to announce that, on February 11, 2016, it has entered into a definitive arrangement agreement (the "Agreement") with [Dundee Precious Metals Inc.](#) ("DPM") (TSX:DPM) the controlling shareholder of Avala, whereby DPM will acquire all of the issued and outstanding common shares of Avala that it does not already own by way of a plan of arrangement under the *Business Corporations Act (British Columbia)* (the "Arrangement").

Under the Arrangement, each holder of Avala common shares, other than DPM, will receive 0.044 of a common share of DPM (the "Exchange Ratio") in exchange for each Avala common share. The Exchange Ratio reflects a 25% premium for Avala shareholders based on the 10-day volume weighted average price of the Avala common shares on the TSX Venture Exchange ("TSXV") and of the DPM common shares on the Toronto Stock Exchange ("TSX"), and a 24.5% premium based on the closing prices of both Avala and DPM common shares on February 11, 2016.

David Fennell, Executive Chairman of Avala, said "Our board and management believe that the Arrangement provides an opportunity for the Company's shareholders to increase liquidity while retaining exposure to the upside potential of the Company's properties through DPM shares, an organization with the strength and financial resources to continue unlocking value from our properties. Considering the low liquidity of our stock, the regulatory and administrative costs of maintaining Avala as a separate publicly traded company, and the generally challenging financial environment for junior mining companies, we believe that this transaction currently provides the best opportunity for our shareholders."

As a result of the Arrangement, the Avala shareholders, other than DPM, will own approximately 956,340 shares of DPM, representing 0.68 % of the issued and outstanding common shares of DPM following completion of the Arrangement. Completion of the Arrangement is subject to, amongst other things, applicable regulatory approvals, including approvals of the TSX for the issuance of common shares of DPM, the satisfaction of certain closing conditions customary in transactions of this nature, including the approval of the Supreme Court (British Columbia), and all required Shareholder approvals. In this regard, the Arrangement must be approved by (i) a majority of the Avala common shares voted at a meeting of shareholders to be convened to approve the Arrangement (the "Meeting"), other than common shares held by DPM and any other interested parties to the Arrangement in accordance with Multilateral Instrument 61-101 (*Protection of Minority Security Holders in Special Transactions*); and (ii) no less than 66 2/3% of holders of common shares voted at the Meeting.

The Agreement includes customary representations, warranties and covenants and deal protection provisions. Avala has agreed not to solicit any alternative transactions and to pay a break fee equal to \$300,000 in certain specified circumstances. In addition, Avala has granted DPM a right to match any competing offer. Directors, officers and a shareholder of Avala holding an aggregate of 1,242,740 common shares have entered into voting support agreements with DPM pursuant to which they have agreed, among other things, to vote their Avala common shares in favour of the Arrangement, subject to certain permitted exceptions.

In accordance with the Agreement, the closing of the transaction must occur by no later than April 30, 2016.

As DPM is the controlling shareholder of Avala, owning approximately 50.1% of the outstanding Avala common shares, the board of directors of Avala formed a special committee of independent directors which considered the fairness of the Arrangement to Shareholders of Avala, other than DPM, and recommended that the board of directors of Avala approve the Arrangement, which approval was given. Primary Capital Inc. was retained by the special committee as financial advisor. There is no finder's fee payable in connection with the Arrangement. Avala and DPM had entered into a non-binding exclusivity letter agreement on December 23, 2015.

Full details of the transaction will be set out in Avala's information circular that will be prepared in respect of

the Meeting, which is intended to be held on April 5, 2016. Avala intends to mail the information circular in early March. Avala shareholders and other interested parties are advised to read the materials relating to the proposed Arrangement after they are filed by Avala on SEDAR at www.sedar.com.

Resignation of CEO

Avala also announces that James Crombie has resigned, effective today, as President, CEO and director to concentrate on other opportunities in the mining industry. "The Company wishes to thank Mr. Crombie for his past years of services and wishes him well in his future endeavours." said Mr. Fennell.

Mr. Fennell will serve as Interim President and CEO of the Company in addition to his role as executive chairman.

About Avala Resources Ltd.

Avala Resources is a mineral exploration company focused on the exploration and development of gold and copper projects in Serbia. The Company's key projects are the Timok Gold Project, the Tulare Project and the Lenovac Project.

The Common Shares trade on the TSXV under the symbol 'AVZ'. Avala's issued and outstanding share capital totals 43,598,138 Common Shares, of which approximately 50.1% are held by [Dundee Precious Metals Inc.](#) (TSX:DPM). Additional information about Avala is available on SEDAR at www.sedar.com and at www.avalaresources.com.

About Dundee Precious Metals Inc.

Dundee Precious Metals is a Canadian based, international gold mining company engaged in the acquisition, exploration, development, mining and processing of precious metals. The Company's principal operating assets include the Chelopech operation, which produces a copper concentrate containing gold and silver, located east of Sofia, Bulgaria; the Kapan operation, which produces a copper concentrate and a zinc concentrate, both containing gold and silver, located in southern Armenia; and the Tsumeb smelter, a concentrate processing facility located in Namibia. DPM also holds interests in a number of developing gold properties located in Bulgaria, Serbia, and northern Canada, including the Krumovgrad project and interests held through its 50.1% owned subsidiary, [Avala Resources Ltd.](#), and its 12.0% interest in [Sabina Gold & Silver Corp.](#)

This communication does not constitute an offer to purchase or exchange or the solicitation of an offer to sell or exchange any securities of Avala or DPM, nor shall there be any sale or exchange of securities in any jurisdiction in which such offer, solicitation or sale or exchange would be unlawful prior to the registration or qualification under the laws of such jurisdiction. The distribution of this communication may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this document should inform themselves of and observe these restrictions.

Cautionary Statement Regarding Forward-Looking Information

This press release contains "forward-looking information" within the meaning of Canadian securities legislation. Forward looking information in this press release includes information about the completion and timing of the proposed transaction between Avala and DPM and the potential benefits thereof. These forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ materially from those anticipated, including, the contemplated transaction not being completed as a result of a number of factors including, without limitation, the shareholders of Avala not approving the transaction, or required regulatory or court approvals not being obtained, the possible failure to realize anticipated the expected expense reductions or other benefits of the transaction; and other risks and uncertainties. Readers should not place undue reliance on the forward-looking information contained in this news release. Avala does not undertake to update any forward-looking information, except as required by applicable securities laws.

Investors are cautioned that, except as disclosed in the management information circular to be prepared in connection with the Arrangement, any information related or received with respect to the arrangement may not be accurate or complete and should not be relied upon. Trading in the securities of Avala should be considered highly speculative.

The TSXV has in no way passed upon the merits of the proposed transactions and has neither approved nor disapproved the contents of this press release.

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

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