AVNEL GOLD MINING LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED Sept 30, 2013

The following management's discussion and analysis (the "MD&A") for Avnel Gold Mining Limited ("Avnel" or the "Company") describes the operating and financial results of the Company for the period from July 1, 2013 to September 30, 2013. Avnel was incorporated under The Companies (Guernsey) Laws 1994 to 2001 on February 18, 2005 with the purpose of becoming the holding company for, and to carry on the business of, Avnel Gold, Limited, a Cayman Islands company ("Avnel Cayman"), pursuant to a reorganisation which was completed on February 22, 2005. The Company and its consolidated subsidiaries for financial reporting purposes are referred to herein as the "Group".

This MD&A should be read in conjunction with the un-audited consolidated financial statements for the quarter ended September 30, 2013 and related notes thereto. In this MD&A, the Company also reports certain non IFRS measures such as cash costs per ounce. All amounts in this discussion are expressed in U.S. dollars, unless identified otherwise.

Forward-Looking Statements
This MD&A contains forward-looking statements which are based on the Company's expectations, estimates and projections regarding its business and the gold market and economic environment in which it operates. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections, and other forward-looking statements will not occur. These assumptions may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Therefore, actual results of the Company could differ materially from those discussed in such forward-looking statements as a result of these risks and uncertainties and readers should not place undue reliance on such statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, where as a result of new information, future events or otherwise, unless, required by applicable law.

Cautionary Note Regarding Technical Information
Technical information in this publication regarding the Kalana Gold Mine and the Kalana Permit (as such terms are defined below) is summarized or extracted from technical reports prepared by Snowden Mining Industry Consultants (Pty) Ltd ("Snowden") entitled "Kalana Gold Mine Technical Report" dated February 20, 2005 (the "2005 Snowden Technical Report") and "Kalana Phase I Exploration, Mali, West Africa" dated November 4, 2004 (collectively the "Technical Reports"). The Technical Reports were prepared by G.M. Greenway, Principal Resource Geologist, and D.H. Kullmann, Principal Consultant Mining Engineer, of Snowden, each of whom is a "Qualified Person" as such term is defined in National Instrument 43-101 — *Standards of Disclosure for Mineral Projects* ("National Instrument 43-101"). The full text of the Technical Reports is available for review on the System for Electronic Document Analysis (SEDAR) located at www.SEDAR.com.

Technical information in this publication arising subsequent to the date of the Technical Reports, if any, regarding the Kalana Gold Mine and the Kalana Permit is provided by Avnel management under the supervision of Roy Meade, a Company director, who is a non-independent "Qualified Person" as such term is defined in National Instrument 43-101.

Overview of the Company
Avnel's principal assets are an 80% indirect interest in Société d'Exploitation des Mines d'Or De Kalana, S.A. ("SOMIKA") and a 100% indirect interest in the Fougadian Exploration Permit, through its subsidiary, Avnel Mali SARL. The State of Mali holds the remaining 20% interest in SOMIKA which owns a long tenure (30 years plus two 10 year extensions) Exploitation Permit over 387.4 square kilometres located in South West Mali ("the Kalana Permit").

Avnel operates the small underground Kalana gold mine (the "Kalana Gold Mine") located in the far northwest of the Kalana Permit extracting narrow quartz veins and with a gravity only recovery process.

The Kalana Permit was acquired by Avnel in late 2002 following which the existing plant and infrastructure were upgraded. Mining operations were resumed by SOMIKA in January 2004 with commercial production commencing in March 2004.

Avnel's strategic objective, through SOMIKA, is to commercially exploit underground reserves at the Kalana Gold Mine, whilst exploring for commercially viable opportunities for the exploitation of a bulk mineable deposit.

Avnel entered into an agreement (the "Option Agreement") with IAMGOLD Corporation ("IAMGOLD") on August 10, 2009 pursuant to which IAMGOLD had the right to earn a 51% interest in Avnel's interest in the Kalana Permit by spending $11 million over a three year period and making two payments to Avnel of $1 million each on August 10, 2009 and August 10, 2010. The IAMGOLD work programme focussed primarily on the evaluation of the Kalana Mine and its environs to examine the potential for a large scale, bulk mineable resource. The Option Agreement automatically lapsed on March 1, 2013 as IAMGOLD did not produce a Resource Study as defined in the Option Agreement within the timescale allowed.

IAMGOLD spent approximately $32.0 million on the Kalana Main Project between the periods, mid-August 2009 to February 28, 2013. The costs incurred by IAMGOLD are represented by loans to the Company's subsidiary Avnel Gold, Limited which were on lent to SOMIKA. IAMGOLD's loans to Avnel Gold, Limited are forfeited to Avnel.

Avnel has engaged Dundee Securities Limited as its exclusive financial advisor in assisting Avnel in exploring all options available to maximise the value of the Kalana Project and shareholder value.

Kalana Permit Exploration

Avnel has received an extensive geological database after the completion of 130,000 metres of drill holes at the Kalana Mine that has added value to the future development of a bulk mineable deposit. At the Kalanako prospect, IAMGOLD completed 29,500 metres of drilling. At the Djirila prospect, IAMGOLD completed 2,535 metres of RC drilling. IAMGOLD reported that 11 gold anomaly targets were identified on the Kalana Permit (including Kalana itself) that are worthy of additional exploration.

Avnel has been working with its consultants Roscoe Postle Associates ("RPA") and Snowden in analysing the database arising from the exploration program conducted by IAMGOLD. The final drill assay results (15,340 assays or 12% of the total assays) and the geological logging were received from IAMGOLD during the first quarter. RPA updated the data base with the new data and reviewed their geological model. RPA have recommended that higher grade assays from the 2010-2012 drill program might benefit from re-assaying by a more exhaustive assay method. RPA recommend that a screens metallic assay on a 1kg sample be implemented.

Avnel has received two geological models, one from RPA and one from IAMGOLD. The methodology of the two geology model differs and Avnel will review the models with Snowden Mining Industry Consultants.

IAMGOLD and RPA identified the technical challenge to evaluate grade associated with the high content of free milling gold (nuggets) in the Kalana Mine. Historically gold grades from drill holes have under estimated mined grades at Kalana.

IAMGOLD conducted a limited number of metallurgical tests to address the under estimation of gold in drill hole samples. The main variable was a larger sample weight than the standard 50 gram fire assay used for all assays reported to date.

In 2011 metallurgical test work was carried out with seven composite samples from two RC holes and underground samples (weighing 50-70 kg per sample) sent to Lakefield Laboratories in Canada. IAMGOLD have reported that the seven Kalana 50 kg metallurgical test samples mostly showed a significantly higher grade than the 50 gram fire assay results.

In 2012 a total of fifty bulk metallurgical samples (weighing 10-12 kg per sample) were submitted for heavy concentrate analysis by using the Knelson concentrator at the SGS laboratory in Johannesburg. IAMGOLD reported that 50g fire assay results underestimate grade when the Fire Assay ("FA") grade is 4g/t or higher. In the range 1g/t to 4g/t the FA and the bulk sample assays report similar results. In the range below 1g/t there appears to be some limited upgrade in bulk sample assays compared to 50g FA results.

IAMGOLD reported initial indications are that the bulk samples analysed in Johannesburg and metallurgical samples previously analysed in Canada display the same behaviour as illustrated by the "Poisson effect" during sub-sampling with the global under-estimation of grade using a classical FA 50g approach.

Avnel has appointed Snowden to review the sampling procedures utilised at Kalana deposit which demonstrates a high coarse gold nugget effect. Snowden completed the study in July 2013 after reviewing all historical reports and data on the Kalana deposit, and has reported that alternative assay protocols may be more suitable to optimise the coarse gold mineralisation present in the Kalana deposit. Dr Simon Dominy, from Snowden, an expert in this field, has reviewed the nature of the coarse gold mineralisation at Kalana and concluded the veins bear dominant coarse gold mineralization, potentially >35% plus 100 micron based on a liberated gold study and up to 75% based on Screen Fire Assay ("SFA") results. The IAMGOLD protocols are likely to underestimate gold grade. Three options were considered for improved protocols for sample preparation and assay. These included the use of metallic screen fire assays, Leachwell cyanide extraction method and laboratory-scale gravity processing of bulk samples. The use of these protocols will reduce the sampling error inherent in the IAMGOLD sample protocol.
The selection of samples for re-assaying commenced in June 2013 and approximately 20,000 samples (1m sample length) were identified. All selected samples from the RC drill campaigns have been collected and selected diamond drill samples will be available in November.

1,500 samples for re-assay were prepared and submitted to SGS laboratory in Bamako for SFA. The protocol required 1 kilograms of the 2-4 kilogram sample to be screened (106 µm) after pulverisation. The QAQC assessment showed that there were significant errors in the work and it was decided to stop SFA at SGS Bamako. SGS and Snowden agreed that, data on these 1,500 samples are not usable.

In October 1,000 samples were submitted to the Bigs Global laboratory in Burkina Faso for assaying using the Leachwell cyanide extraction method. The weight of each sample is approximately 2-4 kilograms. The protocol requires 2 kilograms of the 2-4 kilogram sample to be split after crushing; it includes sample preparation for 24 hour leaching with fire assay of the leach tail. Partial results (fire assaying of tails is not yet available) indicate that the grade compares favourably to the assay results reported by IAMGOLD who used the standard 50g Fire Assay protocol.

In October 298 samples for re-assay and metallurgical test work were submitted to the SGS Metals and Mineralogy laboratory in Johannesburg, South Africa to carry out gravity and cyanidation test work. This is the same laboratory that conducted test work for IAMGOLD in 2012. The weight of each sample is 2-4 kilograms. The protocol requires sample preparation (crushing and milling), batch gravity concentration, cyanide leaching of the gravity tails and fire assay on the final tails.

It is expected that the re-assaying of 20,000 selected samples will continue using the Leachwell method, assuming results from the test work is satisfactory. If the work proceeds, it is expected that a new assay database will be complete by March 2014.

Avnel and Snowden have reviewed the two geological models prepared by IAMGOLD and RPA consultants. The geological model is being updated using drill hole data that was not available to IAMGOLD in November 2012. Avnel's Group Geology Manager, Dr. Olivier Femenias, is leading the re-interpretation of the mineralized intercepts having agreed an appropriate methodology with Snowden. The geological model is scheduled to be completed in November. Preliminary indications are that the volume of mineralization will increase compared to the IAMGOLD model, due to the additional data from 25,000m of drill hole and detailed interpretation of all aspects of the geological database.

Fougadian Exploration Permit

On October 17, 2006, Avnel was awarded the Fougadian Exploration Permit which lies south of the Kalana Permit. The Fougadian Exploration Permit covers an area of 150 square kilometres including a portion of the Niessoumala exploration area. The permit was awarded in accordance with the 1999 Mining Code and a foundation agreement (the "Foundation Agreement") was signed between Avnel Mali, a 100% wholly-owned subsidiary of Avnel, and the Government of the Republic of Mali. The Foundation Agreement provides for the exploration and exploitation of Group 2 minerals as defined in the 1999 Mineral Code. Group 2 minerals include gold and silver, and base metals, but exclude precious stones, semi-precious stones and fossils.

Avnel applied for a renewal of the Fougadian Exploration Permit and this was granted in March 2010, with the commencement date December 2009. Avnel has specified a new area of 75 sq. km as required by the Malian Code. This area lies in the northern half of the original permit and includes the largest anomaly Avnel 1 (Maramele). The renewal was for 3 years and Avnel has committed to expenditures of $1.9 million over this period. As at December 31, 2012 expenditure totalled US$1.8 million.

The Permit expired in December 2012. Avnel applied for a two year extension of the Permit and which was granted in August 2013. The Permit is for two years and is non-renewable.

Joint Venture Arrangements Agreement Fougadian Permits

In 2010, Avnel Gold and IAMGOLD entered into the Joint Venture Arrangements Agreement whereby IAMGOLD has the option to acquire up to an initial 51% interest in Avnel's 90% interest in the Fougadian Exploration Permit as described below.

The Fougadian Exploration Permit held by Avnel previously comprised 150 sq. km. to the south of and abutting the Kalana Exploitation Permit. Avnel relinquished the southern half of its ground in accordance with the Malian Mining Code and was granted a new exploration licence on the northern half on March 23, 2010. IAMGOLD applied for an exploration permit in respect of the southern 75 sq. km and this was granted on June 20, 2012. This Permit is called the Fougadian South and was granted for 3 years, renewable twice. The combined permits are referred to as the "Fougadian Exploration Permit".

Following the military coup in Mali in March 2012, IAMGOLD halted the planned drilling program. A ground geophysics program was completed over the Avnel 1 (Maramele) target by SAGAX. 192 line kilometers were completed and results received. The results confirm the previous interpretations.

IAMGOLD completed 8,836 meters of air core drilling during the quarter and the samples have been submitted to SGS Mineral Laboratories in Bamako. Drilling was focused on the Maramale and Zambala targets on the Fougadian North permit. These two prospects were chosen by IAMGOLD being the only ones accessible at the beginning of the annual rainy season. Results have recently been received and are being reviewed. Field work has been suspended during the annual rainy season. During the fourth quarter and first quarter 2014 it is planned to complete 15,000m to 20,000m of air core drilling on the Fougadian North and South permits. The 2013/14 budget is $1 million.

Selected Annual Information

(In thousands of U.S. dollars except per share amounts)

	Three months ended Sept 30		Nine months ended Sept 30	
	2013	**2012**	**2013**	**2012**
Total Revenue......................................	2,930	3,427	11,811	12,854
Total Operating expenses	4,321	3,467	12,556	11,611
Other income/(expenses)	469	(550)	1,791	6,840
Net (loss)/profit	(1,766)	(1,280)	(1,445)	5,591
Net (loss)/profit from continuing operations attributable to parent	(755)	(83)	42	7,618
Net (loss)/profit per share attributable to parent	($0.004)	($0.000)	($0.000)	$0.040
Weighted average shares outstanding	191,743,724	191,743,724	191,739,724	191,739,724

Balance Sheet	**Sept 30, 2013**	**Sept 30, 2012**	**Dec 31, 2012**
Working capital surplus	10,854	12,235	12,226
Total assets	28,491	31,196	31,051
Shareholders' equity............................	32,829	32,612	32,750

Results of Operations

Metal revenues reduced to $11,811,000 in the nine months to Sept 30, 2013 from $12,854,000 in the nine months to Sept 30, 2012. This was as a result of a reduction in the realised average sales price of gold from $1,655 per ounce in the nine months to Sept 30, 2012 to $1,446 per ounce in nine months to Sept 30, 2013 being partly offset by increased gold ounces sold from 7,742 ounces in the nine months to Sept 30, 2012 to 8,147 ounces in the nine months to Sept 30, 2013.

Total expenses increased from $11,611,000 in the nine months to Sept 30, 2012 to $12,556,000 in the nine months to Sept 30, 2013. Operating costs per ounce of gold produced for the nine months to Sept 30, 2013 increased from $1,257/oz. to $1,286/oz.

Avnel recorded a net loss of $1,445,000 ($0.000 attributable loss per share) for the nine months to Sept 30, 2013, compared to a net profit of $5,591,000 ($0.040 attributable profit per share) in the comparative period in 2012. Included in the nine months to Sept 2013, is an accounting finance gain on the fair value of derivative financial instruments of $1,600,000, arising from a reduction in the Company's share price from December 31, 2012. This compared to a profit on financial derivatives of $6,733,000 in the nine months to Sept 30, 2012. These fair value accounting gains reported have no cash effect on the Company.

As compared to the balance sheet as at December 31, 2012, Avnel's cash and cash equivalents as at Sept 2013, decreased by $1,145,000 from $7,979,000 to $6,834,000. This decrease was mainly due to losses in the year to Sept 2013.

There was a working capital surplus of $10,854,000 as at Sept 30, 2013 compared to working capital surplus of $12,226,000 as at December 31, 2012. The working capital figure reported at December 31, 2012 excludes the other derivative financial liability reported on the Company's balance sheet which had no cash liability to the Company.

Total assets reduced from $31,051,000 as at December 31, 2012 to $28,491,000 at Sept 30, 2013.

Total stockholders' equity also increased to $32,829,000 as at Sept 30, 2013 from $32,750,000 at December 31, 2012. The retained deficit increased by $206,000 as a result of the net loss made in the nine months to Sept 30, 2013.

Mining Operations

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

	Three months ended Sept 30		Nine months ended Sept 30	
	2013	2012	2013	2012
Tonnes milled:				
Underground ore	12,241	12,729	37,714	36,608
Gold grade - grams per tonne (g/t):				
Underground ore	7.10	6.53	8.08	7.44
Recovery rate - %	80.3	86.4	81.7	87.3
Gold production – ounces	2,245	2,309	8,006	7,643
Cost per tonne milled	$293	$253	$273	$262
Operating cost per ounce of gold sold	$1,620	$1,441	$1,288	$1,267
Operating cost per ounce of gold produced	$1,598	$1,392	$1,286	$1,257

Tonnes milled in the quarter to Sept 30, 2013, were 4% lower than achieved in comparative period in 2012. Gold production at 2,245 ounces in the quarter to Sept 30, 2013 were 3% lower than achieved in the comparative period in 2012, resulting from the lower tonnes milled and a higher head grade of 7.1g/t, offset by a reduced recovery of 80.3% in the quarter to Sept 30, 2013 compared to 6.5g/t and 86% in the quarter to Sept 30, 2012.

The head grade in quarter 3 exceeded the mine plan due to higher grades mined in Veins 17, 18D, and 20. The decrease in gold recovery is due to less gravity gold being recovered from Vein 1 and Vein 17 adjacent to the diorite. Some of the free milling gold is very fine and cannot be recovered by a Knelson concentrator in the gravity circuit.

Mine development totalled 171 metres in the third quarter of 2013 compared to 224 metres in the third quarter of 2012 and was in line with the mine plan. Ore development decreased to 171 metres in the third quarter of 2013 from 224 metres in the third quarter of 2012. Ore development focused on opening Vein 18D and Vein 20 below 180m level. Above 150m level ore development opened up Vein 1 for continued mining during 2013.

Gold Sales

Gold sales data is as follows:

	Three months ended Sept 30		Six months ended Sept 30	
	2013	2012	2013	2012
Gold ounces sold – at spot price	2,224	2,021	8,147	7,742
Average realized gold price $ per ounce	1,314	1,690	1,446	1,655
Metal revenue - $000				
Total gold sales	2,923	3,417	11,780	12,816
Silver sales	7	10	31	38
Metal revenue	2,930	3,427	11,811	12,854

Gold spot prices commenced in 2013 at $1,694 per ounce and ended at September 30, 2013 at $1,327 per ounce, with the London PM Fix averaging $1,457 per ounce during the year.

Summary of Quarterly Results

Consolidated Statement of Operations for the Quarters Ended

Quarter ended (US$'000)	**Sept 30 2013**	**June 30 2013**	**Mar 31 2013**	**Dec 31 2012**	**Sept 30 2012**	**June 30 2012**	**Mar 31 2012**	**Dec 31 2011**
Total Revenue	2,930	4,684	4,197	3,950	3,427	4,393	5,034	$3,383
Net (loss)/profit from continuing operations	(1,766)	(899)	1,220	(807)	(1,280)	2,259	4,614	(891)
Net (loss)/profit from continuing operations attributable to owners of the parent	(755)	(430)	1,230	142	(83)	2,174	5,529	(1,448)
Net (loss)/profit per share attributable to owners of the parent	($0.004)	($0.002)	$0.006	$0.000	($0.000)	$0.011	$0.029	$(0.008)

Third Quarter Results

Metal revenues reduced to $2,930,000 in the quarter to Sept 30, 2013 from $3,427,000 in the quarter to Sept 30, 2012. This was as a result of increased gold ounces sold from 2,021 ounces in the quarter to Sept 30, 2012 to 2,224 ounces in the quarter to Sept 30, 2013 more than offset by a reduction in the realised average sales price of gold from $1,690 per ounce in quarter to Sept 30, 2012 to $1,314 per ounce in quarter to Sept 30, 2013.

Total expenses increased from $3,467,000 in the quarter to Sept 30, 2012 to $4,321,000 in the quarter to Sept 30, 2013, arising from finished goods movement. Operating costs per ounce of gold produced for the quarter to Sept 30, 2013 increased from $1,392/oz. to $1,598/oz.

Avnel recorded a net loss of $1,766,000 ($0.004 attributable loss per share) for the quarter to Sept 30, 2013, compared to a net loss of $1,280,000 ($0.000 attributable loss per share) in the comparative period in 2012. Included in the Sept quarter of 2012, is an accounting finance loss on the fair value of derivative financial instruments of $711,000. There was zero comparative derivative financial instrument profit in the June 2013 quarter. These fair value accounting gains reported have no cash effect on the Company.

Avnel's cash and cash equivalents decreased by $407,000 in the quarter to Sept 30, 2013 from $7,241,000 to $6,834,000.

Liquidity, Capital Resources and Going Concern

As a result of the private placement completed on March 31, 2011, the Company raised significant capital and is able to fund its mining operations and exploration for the foreseeable future.

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 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.

The Company intends to sustain the current underground operation as long as economically feasible, without spending significant capital expenditure, until such time as the results of this exploration are completed and assessed to enable the Company to better evaluate future development options for the mine. Until this work is completed and a suitable development plan is identified, output from the mine will continue to be constrained.

Contractual Obligations

The Company has the following contractual obligations at Sept 30, 2013:

Contractual Obligations - $000	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating Leases (1,2)	412	154	258	-	-
Total Contractual Obligations	412	154	258	-	-

Notes:

(1) The Company has entered into operating leases for office space and equipment with a company related to the Fern Trust, a major shareholder of the Company. Pursuant to these leases which expire in June 2016, future minimum payments will amount to $406,000 up until the end of the lease.

(2) The Company has entered into an operating lease for an office building in Bamako, Mali. The lease expires on June 30, 2014. The remaining commitment as at Sept 30, 2013 is $6,000.

Contingent Liability

Malian Taxation

The three year period Malian tax audit on SOMIKA for the years ended 2009, 2010 and 2011 was carried out during 2012 and resulted in a partial report received in December 2012 covering only the 2009 year. The inspector is claiming $4.8m including penalties, disputing various tax items including tax allowances on interest, withholding tax on foreign suppliers and VAT exemption. Management believe strongly that the majority of the tax claims are incorrect and will take external advice on these issues when the 2010 and 2011 reports are received from the inspector.

Mining Properties

The carrying value of the Company's property, plant and equipment, including mining properties and capitalised mine development costs, at September 30, 2013 was $15.6 million and at December 31, 2012 was $16.7 million respectively. The carrying value of these assets is not necessarily indicative of the realisable value of such assets if they were to be offered for sale at this time.

As of September 30, 2013, management carried out assessments of the carrying value of the Company's mining assets and does not consider that there has been any impairment in value of such assets.

A test for recoverability was performed to determine if the estimated fair value exceeded the carrying amount of the asset, including comparable asset values in the market, and the use of other techniques. In assessing the future estimated cash flows management used various estimates including, but not limited to, estimated operating and capital costs and estimated indicated and inferred resources. Management has assessed the recoverability of the carrying value of the capitalised development at the mine site leading to revision to the original feasibility study.

The carrying value on this basis is supported by the discounted cash flow predicted. Gold prices used have been based on broker expectations, and costs have been approximately inflated from the feasibility study, and considered in the light of Avnel's production to date and historic ability to control costs.

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

Related Party Transactions

SOMIKA purchases explosives from African Explosives Limited ("AEL"). Mr. Ibrahim Kantao is a director of the Company, SOMIKA and is also the Director-General of AEL Mali SARL. Such purchases amounted to $521,000 in the nine months ended September 30, 2013 compared to $546,000 in the nine months to September 30, 2012. The Company has an ongoing supply agreement with AEL Mali SARL.

The premises occupied by Avnel and Kalana Mine Services in London are leased from a company associated with the Fern Trust, a major shareholder. The Company incurred $108,000 in rental costs during the nine months ended September 30, 2013 compared to $101,000 in the nine months to September 30, 2012. The Company's lease expires in June 2016.

Business Risks

The risks associated with Avnel and the effect on future operating results and financial position of the Company are set out in detail under the section entitled "Risk Factors" in the Company's Annual Information Form dated March 27, 2013 (the "AIF"), which section is incorporated by reference into and forms an integral part of this MD&A. A copy of the AIF can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Going concern

The Company has a going concern risk in that it relies on the cash flow of one operating mine and the ability of the Company to raise finance in the market. The mine has in excess of a one million ounce mineral resource, but has reached a stage in its development that extraction by underground mining and gravity recovery methods may not be the most economical and it is considering very carefully its future strategy.

The consolidated financial statements of the Company for the year ended September 30, 2013, 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.

Exploration, Development and Operating Risk

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

Gold Prices

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

Foreign exchange Risk/Gold Hedging
All gold revenues and a portion of operating costs are in U.S. dollars.

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

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

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

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

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

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

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

Recent Accounting Pronouncements
The following new standards and amendments to standards and interpretations were not yet effective for the period ended June 30, 2013, and have not been applied in preparing these consolidated financial statements. These are summarised below:

IAS 1 Presentation of items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and therefore has no impact on the Group's financial position or performance.

IFRS 9 *Financial Instruments: Classification and Measurement*
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015.

In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Company will assess the effect in conjunction with the other phases, when the final standard including all phases is issued.

Critical Accounting Estimates
The consolidated financial statements of the Company for the period ended Sept 30, 2013, have been prepared in accordance with IFRS. Management is required to make various estimates and judgements in determining the reported amounts of assets and liabilities, revenues and expenses for each period presented and in the disclosure of commitments and contingencies. Management considers the following critical accounting policies reflect its more significant estimates and judgements used in the preparation of the consolidated financial statements.

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

All costs, other than acquisition costs, are expensed prior to the establishment of proven and probable reserves. Gains or losses resulting from the sale or abandonment of properties are included in operations. Acquisition and development costs associated with properties brought into production are charged to operations using the units of production method based on estimated proven and probable reserves which can be recovered. Costs of start-up activities and on-going costs to maintain production are expensed as incurred. Production facilities and equipment are stated at cost and are amortized over the estimated proven and probable reserves which can be recovered from the related property.

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

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

During 2006, the Company commissioned an environmental report by an independent party. This estimated a cash flow for the retirement and rehabilitation of the Kalana Gold Mine of $2,236,000. The environmental liability is based on the work required to be carried out on the tailings facilities to ensure stabilisation of the facility and re-vegetation of the tailings surface area, the capping of the underground shafts and the reclamation of plant, workshops and buildings where appropriate. The area disturbed by mining operations will then be re-vegetated. There will then be an ongoing monitoring of the water quality and re-vegetation programmes. It is possible that the closure plan will change if a new open pit mine is developed. This will be dependent on ongoing exploration and a future feasibility study.

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

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

Disclosure of Outstanding Share Data

As at November 14, 2013, the Company had issued 191,743,724 common shares.

The following table shows the number of options or rights to purchase common shares of the Company as at November 14, 2013.

Meade Compensation Options	2,500,000
Long Term Incentive Plan	5,019,000
Total as at November 14, 2013	**7,519,000**

Outlook

Snowden Mining Industry Consultants have reviewed the gold sampling procedures for the Kalana deposit. Following their report Avnel has commenced a program to re-assay the selected 2010-2012 drill hole samples using a new sampling protocol, namely Leachwell. This methodology will better capture the coarse mineralisation in the deposit and reduce the sampling error in the standard 50g fire assay protocol used by IAMGOLD. The sample preparation and cyanide leaching is being carried out in a laboratory in Burkina Faso.

Approximately 20,000 samples will be re-assayed and the results are expected by March 2014.

Avnel has appointed Snowden Mineral Industry Consultants to complete a Mineral Resource Study utilising the new assay data. Snowden consultants have visited Kalana to review the exploration data and the geological model. Snowden reported at the end of the site visit that the exploration data base meets international standards. Snowden will work closely with Avnel to update the geological model and assess the impact on the potential mineral resource by January 2014. This assessment will utilise the existing data base using IAMGOLD assay results. After receipt of the final re-assay results in March 2014, Snowden will complete the Mineral Resource Study in April 2014.

On completion of the Mineral Resource Study Avnel will consider the commencement of a Pre-Feasibility Study.

For the remainder of 2013, Avnel is planning gold production of 2,200 ounces from 12,600 tonnes of ore milled, at an average grade of 6.7g/t. This plan is very sensitive to grade and gold price. The plan assumes that the major ore sources will be Vein 20 and Vein 17. Assuming a gold price of $1,300 per ounce, cash costs will exceed revenues. The company has initiated a productivity drive that aims to reduce this cash loss.

It is forecast that the potential mineable reserves available from the current mine infrastructure are approximately 26,000 tonnes at 6.75g/t containing 6,000 ounces. This assumes that ongoing development of Vein 20 and Vein 17 will be successful and the average gold price will be $1,300 per ounce. This will allow mining to average 4,200 tonnes per month to March 2014

The mine plans to advance development 160m during the remainder of 2013. Development will focus on opening up Vein 17 above the 180m level, vein 20 below 180m level and Vein 21 below 180m level. Development will continue during 2014 to access additional ore to extend mining beyond the first quarter 2014.

The Company intends to sustain the operation as long as feasible while the exploration program progresses. This is important to reduce the social impact on the community and to cover the costs of underground pumping. Once underground mining operations are temporarily stopped, the mine will be placed on care and maintenance. The underground water pumping system will remain in operation to prevent flooding of the mine and permit access for future exploration activity. The estimated cost of care and maintenance is $190,000 per month including administration costs in Mali.

Current Events in Mali

Following the turmoil in the north of Mali and the military coup d'état on March 21, 2012, stability has been restored with the intervention of French and ECOWAS troops. The First and Second round Presidential elections were held peaceably in July and August, 2013 with a high voter turn out. The conduct of the election has been internationally acclaimed. The new President was inaugurated in September 2013 and the new government appointed.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures

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

Based on current securities legislation in Canada, management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company, evaluated the design and effectiveness of the Company's disclosure controls and procedures as of December 31, 2012, and concluded that such disclosure controls and procedures were operating effectively at that date. There were no significant changes to the Company's disclosure controls process during the quarter ended September 30, 2013.

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

Internal controls over financial reporting

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

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

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

The Company's management, including the CEO and the CFO, have evaluated the design and effectiveness of internal controls over financial reporting as at December 31, 2012, and have concluded that the Company's internal control over financial reporting was effective during the year 2012.

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

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

Additional Information

This MD&A has been prepared as of November 14, 2013. Additional information about the Company, including the Company's Annual Information Form, is available at www.avnelgold.com or the website of the System for Electronic Document Analysis and Retrieval at www.sedar.com.