AVNEL GOLD MINING LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

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, 2014 to September 30, 2014 ("Q3 2014"). This MD&A should be read in conjunction with the un-audited consolidated financial statements for the quarter ended September 30, 2014 and related notes that have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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.

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".

Highlights

- Completed a private placements for gross proceeds of C$10.4 million to fund the completion of the PFS for the Kalana Main Project that is scheduled to be completed near the end of 2014 and to provide working capital.
- Announced an updated Mineral Resource Estimate for the Kalana Main Project.
- Reported that pit-constrained Indicated Resources had increased 55% to 2 million ounces of gold (13.6 million tonnes grading 4.36 g/t at a 0.9 g/t cut-off).
- Reported a Diluted Indicated Mineral Resource of 1.96 million ounces of gold (19.7 million diluted tonnes at a diluted grade of 3.10 g/t at a cut-off of 0.9 g/t).
- The Kalana Main Deposit remains open for expansion both at depth and laterally.

Outlook

The Preliminary Feasibility Study ("PFS") for the Kalana Main Project remains on track for completion near the end of 2014. Snowden Mining Industry Consultants ("Snowden"), the global mining consultancy that completed a Preliminary Economic Assessment ("PEA") for the Kalana Main Project in March 2014 is leading the PFS. Snowden is providing mine engineering design services and is supported by several leading consulting firms, all of whom have extensive experience in Mali (and elsewhere in West Africa), including Mr. Ivor Jones of Denny Jones Pty Ltd., the Qualified Person that prepared the Mineral Resource Estimate for the PEA, DRA Global, and Epoch Resources.

The Company also plans to submit approximately 8,000 samples for LeachWell analysis from the Kalana Main Project. Recent re-assay campaigns on 24,915 samples from Kalana Main have demonstrated that the 50-gram Fire Assays typically understated the average grade of samples relative to the 2-kilogram LeachWell assays by an average of 40%. This understatement of grade is due to the coarse nature of the gold mineralization 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. As a result of the success of previous LeachWell re-assay programs at Kalana Main, the Company expects the average grade of the portions of the model that do not have significant LeachWell assays to improve.

Looking at its development plans beyond 2014, the Company is planning to commence a reverse-circulation and diamond drilling program in the first quarter of 2015. This program is primarily intended to test for extensions to areas of known mineralisation at the Kalana Main Project.

Drilling and LeachWell assays completed during the first half of 2015 are planned to be included in the next revision of the Mineral Resource estimate for the Kalana Main deposit, which is scheduled for near the middle of 2015. The next revision of the Mineral Resource estimate is expected to form the basis for a Definitive Feasibility Study ("DFS") that is scheduled to be completed in the fourth quarter of 2015.

With respect to mine operations at the small, Soviet-era underground mine at Kalana, Avnel is forecasting gold production of 2,300 ounces from 12,600 tonnes of ore milled, at an average grade of 7.1 g/t in the fourth quarter of 2014. Mill feed is scheduled to consist of 8,000 tonnes of underground material and 4,600 tonnes from surface stockpiles. The primary sources of underground material are scheduled to be from the Veins 1 and 20C, which was developed for mining during third quarter 2014. The Company plans to advance development 200 m during fourth quarter of 2014 and first quarter of 2015. Development will continue to focus on the Vein 1 and Vein 20C on or below the 180 m level.

At the end of the third quarter, the Company forecasts that the mineable material available from existing mine infrastructure is approximately 31,000 tonnes grading 5.8 g/t containing 6,000 ounces, which assumes the successful and ongoing development of Vein 1, Vein 21 and Vein 20C below 180 m level. Based upon current mining rates, mine production is scheduled to produce 2,500 tonnes per month until the end of the third quarter of 2015. Following the depletion of the underground material, the Company plans to process surface stockpiles. Surface stockpiles are approximately 28,000 tonnes grading 6.0 g/t containing 6,000 ounces, which are expected to provide mill feed into the first half of 2016.

The Company intends to operate the small underground mine at Kalana for as long as feasible while the development program progresses to maintain the social and economic benefits of the mine to the community and to offset the costs of underground pumping.

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 covering an area of 387.4 square kilometres located in South West Mali (the "Kalana Permit").

A small underground mine with name plate capacity 60,000 tonnes per year and a gravity only gold recovery plant was designed and built by the Russians (SONAREM & SOGEMORK) between the mid-

1960's and 1985 and operated by the Russians until 1991 under a Soviet financial and technical aid programme to Mali. Avnel continues to operate the small underground mine principally for exploration purposes and to maintain socio economic stability in the local community. The mine operates as a narrow vein hard rock mine (below the weathered horizon) with gravity gold recovery.

The Kalana Permit was acquired by Avnel through a privatisation tender awarded in December 2002 and the permit was transferred to Avnel's 80% owned subsidiary, SOMIKA in April 2003. Mining operations were resumed by SOMIKA in January 2004 with commercial production commencing in March 2004.

On March 24, 2014, the Company reported a Mineral Resource estimate (the "March MRE") and the results of a PEA prepared by Snowden. The PEA outlines a 14-year open-pit mine life at the Kalana Main Project recovering 1.46 million ounces of gold at an average "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 and a 10% discount rate, the PEA reported a net present value ("NPV") of $194 million after-tax and imputed interest, and an internal rate of return ("IRR") of 53% on a 100% project basis. Similarly, utilizing a 5% discount rate and a $1,300 per ounce gold price, the NPV was reported as $424 million and an IRR of 74%.

On October 15, 2014 the Company announced an updated Mineral Resource estimate (the "September MRE") that reported that the pit-constrained Indicated Resource had increased 55% to 2 million ounces. The September MRE has been prepared in accordance with the CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council. The September MRE is an integral part of a series of studies for a PFS for the Kalana Main Project that is scheduled to be completed near the end of 2014. The September MRE supersedes the March MRE.

Avnel's strategic objective, through SOMIKA, is to advance the development of Kalana Main project by completing feasibility studies to demonstrate the presence of a commercially viable bulk tonnage mining project, whilst exploring for commercially viable opportunities over the remainder of the Kalana exploitation permit.

Kalana Main Preliminary Economic Assessment Summary

The Kalana Main PEA is a study that includes an economic analysis of the potential viability of the Kalana Main Project Mineral Resources. It is not a Preliminary Feasibility Study or Definitive Feasibility Study and cannot be used to report mineral reserves. The PEA 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 findings of 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.

The Kalana Main PEA is subject to a number of important assumptions, including, among others: that a competent mining contractor can mine the mineralisation in a selective manner that achieves the assumed dilution and recovery factors; that suitable locations can be identified for waste dumps and tailings storage facilities; that further test work will confirm the metallurgical recoveries, that there is no material increase in capital and operating costs, forecast construction schedules can be achieved; an adequate supply of water is available and can be exploited; environmental and social impact studies will be completed in an acceptable timeframe; all required permits will be obtained in a timely manner; the availability of adequate project financing; and the Company will continue to have the support of local communities and regulators.

The PEA for the Kalana Main was completed by Snowden in March 2014. The findings of Snowden's report are:

- A 14-year mine life recovering 1.46 million ounces and comprising:
  - a three stage open pit containing 15.1 million tonnes grading 3.2 g/t and 128 million tonnes of waste.
  - 655,000 tonnes of tailings grading 1.8 g/t.
  - a 1.2 million tonnes per year of conventional gravity and CIL process plant achieving 93% recovery for saprolite, saprock and fresh material and 83% for tailings.
- About a two-year construction period, with first production anticipated in H2 2017.
- Gold production averaging 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 Kalana Main Project PEA is based on open pit mining using small-scale mining equipment to selectively mine the economic quartz and associated inter-vein mineralisation with larger equipment used in waste. The processing method will be conventional gravity concentration and CIL. The open pit will be mined in three stages with preferential processing of higher grades and lower grade material stockpiled for later processing. To account for dilution and losses during the mining process, the mineral resource had a 50% tonnage modifying factor and a mining recovery modifying factor between 92.5% and 95% applied in the mine production schedule. Only Inferred and Indicated Mineral Resources (which were constrained by the optimised open pit) were included in the mine production schedule. The tailings Mineral Resource from historic operations will be recovered and processed in the first year of production.

Test work and historic operations show the work index for saprolite and fresh rock will be in a range of 11 kwh/t to 17 kwh/t. Metallurgical tests have shown gravity gold recoveries in the range 40% up to 95% in saprolite and fresh rock. Operating experience has shown gravity recoveries of between 80% and 92%. Cyanide leach test work of saprolite and fresh mineralisation has achieved up to 95% gold recovery from mineralisation ground to 80% passing 75 micron. Gold recovery of 93% using a combination of gravity recovery and CIL has been used in the PEA.

The optimised pit shell was defined using standard optimisation software, a gold price of $1,110 per ounce, mining and processing costs that reflect the weathering profiles and general and administrative (G&A) costs. Overall pit-slope angles range from 37º to 45º depending on the weathering profile. The production schedule was constrained to an advance rate of 30 vertical m per year.

Over the life of mine, mining costs are estimated to average $3.32 per total tonne mined. Processing and administration costs are estimated to average $20.87 per tonne processed. Using a discount rate of 10%, the Kalana Main Project open pit has an estimated project NPV (after allowance for tax and interest) of about $194 million and a project internal rate of return (IRR) of 53% after accounting for all operating costs, capital expenditures, tax, imputed interest and royalty payments. PFS and DFS costs of about $16 million have not been included in the financial analysis. The base case results and gold price sensitivity of the Kalana Main Pit PEA as reported by Snowden are summarised in Table 1.

Table 1: Kalana Main Project Sensitivity (gold price and discount rate)

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

The March 2014 Mineral Resource Estimate Summary

As part of the PEA, Snowden prepared a new Mineral Resource estimate (the "March MRE"). The March MRE is based on information collated from extensive drilling and underground workings at the Kalana Gold Mine. The mineralisation is hosted in narrow shallow dipping quartz and associated inter-vein mineralisation defining together a vein package. It is a Paleoproterozoic orogenic gold deposit emplaced in Birimian terranes of the West African Craton.

The in situ Mineral Resources in the March 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 grams of gold per tonne)
- 0.25 million ounces of gold in the Inferred Mineral Resource category (2.1 million tonnes grading 3.76 grams of gold per tonne)

The Mineral Resources are reported above a cut-off grade of 0.9 g/t. This cut-off grade was defined as an output of the PEA based on a gold price of $1,110 per ounce. No mineral resources were reported outside the $1,110 per ounce of gold optimised pit shell.

Table 2: Kalana Main Project in-situ Mineral Resource Estimate - March 2014

Classification	Tonnes (millions)	Gold Grade (g/t)	Contained Gold (million ounce)
Indicated Resource	8.5	4.53	1.25
Inferred Resource	2.1	3.76	0.25

(1) Mineral Resources which 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 MD&A 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 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.
(3) Contained metal figures and totals may differ due to rounding of figures.
(4) Based on a cut-off grade of 0.9 g/t.

The March MRE is based upon 132,392 m of drilling from 771 holes drilled since 2009. The March MRE is superseded by the September MRE that was announced on October 15, 2015 and is detailed below in the section titled "September 2014 Mineral Resource Estimate Summary".

The March MRE Mineral Resources are classified as Indicated and Inferred 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.

September Mineral Resource Estimate Summary
On October 15, 2014 the Company announced an updated Mineral Resource estimate at the Kalana Main Project effective September 30, 2014 (the "September MRE") that supersedes the March MRE summarized previously. The September MRE was prepared by Mr. Ivor Jones of Denny Jones Pty Ltd, who was previously an Executive Consultant with Snowden and the Qualified Person that prepared the March MRE.

The highlights of the September MRE were:

- Indicated Mineral Resources increased 55% to 2 million ounces of gold (13.6 million tonnes grading 4.36 g/t at a 0.9 g/t cut-off)
- Inferred Mineral Resource decreased 60% to 0.10 million ounces of gold (0.7 million tonnes grading 4.24 g/t at a 0.9 g/t cut-off)
- Diluted Indicated Mineral Resource of 1.96 million ounces of gold (19.7 million diluted tonnes at a diluted grade of 3.10 g/t)

Table 3: Kalana Main Project in-situ Mineral Resource Estimate - September 2014

Classification	Tonnes (millions)	Gold Grade (g/t)	Contained Gold (million ounce)
Indicated Resource	12.9	4.57	1.90
Inferred Resource	0.7	4.24	0.10

(1) Mineral Resources which 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 MD&A 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 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.
(3) Contained metal figures and totals may differ due to rounding of figures.
(4) Based on a cut-off grade of 0.9 g/t.

The September MRE is based upon a total of 133,679 m of drilling from 800 drill holes. Data added to the database since the March MRE includes 4,683 new LeachWell 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 MRE utilizes the same 0.9 g/t economic cut-off developed as part of the PEA and utilized for reporting the March MRE so that the results are comparable. Table 4 compares the September MRE to the March MRE:

Table 4: Mineral Resource Estimate Comparison for the Kalana Main Project[1]
(100% Project Basis Reported at a 0.9 g/t cut-off utilizing $1,110/oz)

	September 2014 MRE			**March 2014 MRE**			**% Change**		
	Tonnes (millions)	Grade (g/t)	Ounces (millions)	Tonnes (millions)	Grade (g/t)	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[2]	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**	**3.7**	**0.25**	**-67%**	**13%**	**-60%**

1 – Avnel Gold has an 80% equity interest in SOMIKA, the Malian company that owns the Kalana Exploitation Permit
2 – The Kalana tailings are reported at no cut-off as they are expected to be completely mined and reprocessed as per the PEA

The September MRE has been prepared in accordance with the CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council. The September MRE is part of a series of studies for a PFS for the Kalana Main Project that is scheduled to be completed near the end of 2014.

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 mineralization of the Kalana Main deposit. In addition, extensive studies to model and evaluate the potential dilution were undertaken. 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 optimization was then used to constrain the diluted September MRE (detailed below) using the same optimization parameters utilized 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 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 MRE. This has resulted in an average global dilution estimate of 55% at an average grade of 0.27 g/t, which is comparable with 50% dilution assumption at an average grade of 0.20 g/t utilized in the PEA.

The addition of local dilution resulted in a portion of the model being below the 0.9 g/t 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, utilizing the same modifying factors as the PEA, is estimated at 19.7 million tonnes grading 3.10 g/t (diluted) containing 1.96 million ounces as detailed in the following table:

Table 5: Kalana Main Mineral Resource Diluted Estimate – September 2014
(100% Project Basis Above a Diluted Grade of 0.9 g/t)

	Resource Tonnes (millions)	Resource Grade (g/t)	Internal Dilution (%)	External Dilution (%)	Grade Internal Dilution (g/t)	Grade External Dilution (g/t)	Diluted Tonnes (millions)	Diluted Grade (g/t)	Ounces Gold (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 40,000 ounces of Indicated Mineral Resource from historic tailings, for a total Indicated Mineral Resource of 2 million ounces, which is to form the basis for the PFS.

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 resource at that time was reported as 234,000 tonnes at 1.9 g/t in the Measured 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.

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 indicated the grade for the tailings mineral resource are conservative and support the confidence that the grades in the mineral resource can be achieved.

The Mineral Resources for the Kalana tailings (no grade cut-off applied):

- 0.04 million ounces of gold the Indicated Mineral Resource category in historic and active tailings (0.7 million tonnes grading 1.80 g/t)

Table 6: Kalana Gold Mine Tailings Mineral Resource Estimate - March 2014

Category	Tonnes (millions)	Gold Grade (g/t)	Contained Gold (million ounce)
Indicated Resource	0.7	1.80	0.04

Note: Footnotes (1), (2), (3) as per Table 2. No cut-off grade applied.

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 Tailings Mineral Resource estimate reported as part of the September MRE is unchanged from the March MRE.

Kalana Main "Exploration Target"

As part of the September MRE estimation process, an Exploration Target below the September MRE pit shell to assist in the direction of upcoming exploration programs.

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

The Exploration Target, which is outside the September MRE is estimated to be between 8.3 and 8.8 million tonnes grading between 4.2 and 4.9 g/t 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.

The interpretation that is the basis of the Exploration Target is that it is likely that the grade in the lower portions of the model have been underestimated due to the predominance of lower grade Fire Assay data. Similar to the zone between the March and September MRE pit shells, only 9% of the assay data within the Exploration Target was determined using the LeachWell Assay method.

Given the potential of the Exploration Target, combined with the success of previous LeachWell re-assay programs at Kalana, the Company plans to submit at least 2,000 existing samples from the Exploration Target for LeachWell analysis to further assess the potential of this zone.

It is the Company's expectation that utilization of LeachWell assaying on samples below the September MRE pit shell is likely to increase the average grade of the model within the Exploration

Target. As a result, this may result in the delineation of additional Mineral Resources and improve the economic attractiveness of the Exploration Target. *It is uncertain if further exploration will result in any portion of the Exploration Target being delineated as a Mineral Resource.*

Fougadian Exploration Permit

On October 17, 2006, Avnel was awarded the Fougadian Exploration Permit, which is immediately south of the Kalana Permit. The Fougadian Exploration Permit covers an area of 150 square kilometres (km^2) 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 km^2 as required by the Malian Code. This area lies in the northern half of the original permit and includes the largest anomaly Avnel 1, which is also known as Maramele. The renewal was for 3 years and Avnel committed to expenditures of $1.9 million over this period.

The Permit expired in December 2012. Avnel applied for a two-year extension of the Permit which was granted in August 2013 effective December 2012. The Permit is for two years expiring December 2014 and is non-renewable except by dispensation from the Ministry of Mines.

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 covered an area of 150 square kilometres 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 km^2 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".

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 presence of a large anomaly.

During the second and third quarters of 2013, IAMGOLD completed 8,839 m of air core drilling. Drilling was focused on the Maramale and Zambala targets on the Fougadian North permit. These two prospects were chosen by IAMGOLD as they were accessible year-round. During the fourth quarter of 2013, 19,887 m of air core drilling was completed on Fougadian North and South Permits.

The targets drilled were Maramale, Axe Central, Leba and Korienko. Samples have been submitted for analysis at the SGS Mineral laboratory in Bamako (conventional 50-gram fire assay). Results have recently been received recently and are being reviewed. Mineralisation, defined on termite mount geochemistry and tested with air core drilling appear dispersed, characterized by short intercepts.

The Company reported on October 15, 2014 that the IAMGOLD Corporation has exited the Fougadian joint venture. Upon the lapse of the Option Agreement, under the terms of the agreement, IAMGOLD's $5 million cost receivables from SOMIKA will be assigned to Avnel Gold and all technical data, studies and other documents relating to the exploration activities not previously shared with Avnel is currently being assessed by the Company.

Current Underground Mining Operations

No significant capital expenditures were incurred during the period. Development during 2014 may expose additional ore from Vein 1 and 20C to enable mining to continue through 2015. At end September the mine planning reserve is 31,000 tonnes at 5.8 g/t

Under the prevailing gold price environment, the Kalana underground 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 feasibility studies for on the Kalana Main Project to enable a smooth transition for the workforce from the a small underground mine to a new and significant open pit mining operation.

Selected Information for the Three- and Nine-Month Periods Ending September 30
(In thousands of U.S. dollars except per share amounts)

	Three months ended Sept 30		**Nine months ended Sept 30**	
	2014	**2013**	**2014**	**2013**
Total Revenue	2,709	2,930	8,302	11,811
Total Expenses	4,561	5,165	14,285	15,047
Other (expenses)/income	(1,227)	469	(1,365)	1,791
Net (loss)/profit	(3,079)	(1,766)	(7,348)	(1,445)
Net (loss)/profit from continuing operations attributable to parent	(3,076)	(755)	(6,443)	42
Net (loss)/profit per share attributable to parent	($0.012)	($0.004)	($0.031)	$0.000
Weighted average shares outstanding	246,538,072	191,743,724	210,209,219	192,596,933

Balance Sheet	**Sept 30, 2014**	**Sept 30, 2013**	**Dec 31, 2013**
Working capital surplus	11,219	10,854	8,629
Total assets	27,883	28,491	26,524
Shareholders' equity	31,915	32,829	31,845

Results of Operations
Metal revenues reduced to $8,302,000 in the nine months to September 30, 2014 from $11,811,000 in the nine months to September 30, 2013. This was as a result of a 11% reduction in the realised average sales price of gold from $1,446 per ounce in the nine months to September 30, 2013 to $1,294 per ounce in nine months to September 30, 2014 and a 21% reduction in gold ounces sold from 8,147 ounces in the nine months to September 30, 2013 to 6,399 ounces in the nine months to September 30, 2014.

Total expenses reduced from $15,047,000 in the nine months to September 30, 2013 to $14,285,000 in the nine months to September 30, 2014. Operating costs per ounce of gold produced for the nine months to September 30, 2014 increased from $1,286 per ounce to $1,540 per ounce.

Avnel recorded a net loss of $7,348,000 ($0.031 attributable loss per share) for the nine months to September 30, 2014, compared to a net loss of $1,445,000 ($0.000 attributable loss per share) in the comparative period in 2013. Included in the nine months to September 2013, is an accounting finance gain on the fair value of derivative financial instruments of $1,600,000 compared to a loss of $719,000 in the nine months to September 30, 2014. There was also an exchange loss $607,000 in the nine months to September 2014 compared to an exchange profit $228,000 in the comparative period in 2013. This was due to the strengthening of the US dollar against the CFA and Canadian dollar.

As compared to the balance sheet as at December 31, 2013, Avnel's cash and cash equivalents as at September 2014, increased by $2,967,000 from $5,799,000 to $8,766,000. This increase was due to net proceeds received from Private Placements in the third quarter 2014 of $8,929,000 partly offset by funds used in operations of $4,513,000 and capital expenditures of $1,449,000 that were mainly related to expenditures on the Kalana Main PFS.

There was a working capital surplus of $11,219,000 as at September 30, 2014 compared to working capital surplus of $8,629,000 as at December 31, 2013. The working capital figures reported exclude the other derivative financial liability reported on the Company's balance sheet, which had no cash liability to the Company.

Total assets increased from $26,524,000 as at December 31, 2013 to $27,883,000 at September 30, 2014.

Total stockholders' equity increased to $31,915,000 as at September 30, 2014 from $31,845,000 at December 31, 2013.

Mining Operations

The following table shows the key production and operating statistics from the Kalana Gold Mine:

	Three months ended Sept 30		Nine months ended Sept 30	
	2014	**2013**	**2014**	**2013**
Tonnes milled:				
Underground ore	12,633	12,240	37,266	37,714
Gold grade - grams per tonne (g/t):				
Underground ore	6.69	7.10	6.57	8.08
Recovery rate - %	77.0	80.3	80.3	81.7
Gold production – ounces	2,092	2,245	6,325	8,006
Cost per tonne milled	$247	$293	$261	$273
Operating cost per ounce of gold sold	$1,505	$1,620	$1,526	$1,288
Operating cost per ounce of gold produced	$1,494	$1,598	$1,540	$1,286

Tonnes milled in the quarter to September 30, 2014, were 3% higher than achieved in comparative period in 2013. Gold production at 2,092 ounces in the quarter to September 30, 2014 was 7% lower than achieved in the comparative period in 2013, resulting from the higher tonnes milled offset by a lower head grade of 6.69 g/t, and a reduced recovery of 77.0% in the quarter to September 30, 2014 compared to a head grade of 7.10 g/t and a recovery rate of 80.3% in the quarter to September 30, 2013.

Tonnes milled included surface stockpiles that are being re-processed as underground tonnage declines. In the third quarter of 2014, 2,945 tonnes of surface stockpiled material was treated at an average grade of 7.4 g/t. During the current year to date, 6,873 tonnes of surface stockpiled material has been treated at a grade of 7.7 g/t

Mine development totalled 184 m in the third quarter of 2014 compared to 171 m in the third quarter of 2013 and was 149 m in excess of the mine plan. Ore development increased to 184 m in the third quarter of 2014 from 171 m in the third quarter of 2013. Ore development focused on providing access to the Vein 20C and Vein 1.

Gold Sales

Gold sales data is as follows:

	Three months ended Sept 30		Nine months ended Sept 30	
	2014	**2013**	**2014**	**2013**
Gold ounces sold – at spot price	2,112	2,224	6,399	8,147
Average realized gold price $ per ounce	1,279	1,314	1,294	1,446
Metal revenue - $000				
Total gold sales	2,703	2,923	8,283	11,780
Silver sales	6	7	19	31
Metal revenue	2,709	2,930	8,302	11,881

Gold spot prices commenced in 2014 at $1,225 per ounce and ended at September 30, 2014 at $1,216 per ounce, with the London PM Fix averaging $1,304 per ounce during the nine months to September 2014.

Summary of Quarterly Results

Consolidated Statement of Operations for the Quarters Ended

Quarter ended (US$'000)	**Sept 30 2014**	**June 30 2014**	**Mar 31 2014**	**Dec 31 2013**	**Sept 30 2013**	**June 30 2013**	**Mar 31 2013**	**Dec 31 2012**
Total Revenue	2,709	2,809	2,784	2,763	2,930	4,684	4,197	3,950
Net (loss)/profit from continuing operations	(3,079)	(2,100)	(2,169)	(1,710)	(1,766)	(899)	1,220	(803)
Net (loss)/profit from continuing operations attributable to owners of the parent	(3,076)	(1,673)	(1,694)	(987)	(755)	(430)	1,230	142
Net (loss)/profit per share attributable to owners of the parent	($0.012)	($0.009)	($0.009)	($0.005)	($0.004)	($0.002)	$0.006	$0.000

Third Quarter Results

Metal revenues reduced to $2,709,000 in the quarter to September 30, 2014 from $2,930,000 in the quarter to September 30, 2013. This was as a result of a 5% decrease in gold ounces sold from 2,224 ounces in the quarter to September 30, 2013 to 2,112 ounces in the quarter to September 30, 2014 and a 3% reduction in the realised average sales price of gold from $1,314 per ounce in quarter to September 30, 2013 to $1,279 per ounce in quarter to September 30, 2014.

Total expenses reduced 12% from $5,165,000 in the quarter to September 30, 2013 to $4,561,000 in the quarter to September 30, 2014. Operating costs per ounce of gold produced for the quarter to September 30, 2014 decreased from $1,598 per ounce to $1,494 per ounce arising mainly from reduced gold production.

Avnel recorded a net loss of $3,079,000 ($0.012 attributable loss per share) for the quarter to September 30, 2014, compared to a net loss of $1,766,000 ($0.004 attributable loss per share) in the comparative period in 2013.

Included in the September 2014 quarter is an accounting finance loss on the fair value of derivative financial instruments of $719,000 compared to nil in the quarter to September 30, 2013. There was also an exchange loss $498,000 in the September 2014 quarter compared to an exchange profit $482,000 in the comparative period in 2013. This was due to the strengthening of the US dollar against the CFA and Canadian dollar.

Avnel's cash and cash equivalents increased by $5,786,000 in the quarter to September 30, 2014 from $2,980,000 to $8,766,000. This arose from the net proceeds from the Private Placements of $8,929,000 partly offset by use of funds in operations of $1,894,000 and capital expenditures of $1,249,000 mainly expenditures on the PFS at Kalana.

Liquidity, Capital Resources and Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. At September 30, 2014 the Company had net current assets $11,219,000 including a cash balance of $8,766,000.

Supported by the results of the MRE and PEA, the directors consider that in the Kalana project the Company has a valuable asset. The directors recognise the continuing operations of the Company are dependent upon its ability to raise adequate financing and that additional funding will be required for the feasibility study and, over the longer term, to build the proposed Kalana Main open pit mine.

On July 17, 2014 Avnel closed a brokered private placement. Pursuant to the Private Placement, Avnel Gold issued 65,786,400 Units of the Company at a price of C$0.15 per unit for gross proceeds of approximately C$9.9 million. Each Unit consisted of an ordinary share and a share purchase warrant. The proceeds will be used to complete a PFS for the Kalana project and general corporate purposes.

On September 18, 2014 the Company announced that it had closed a C$300,000 non-brokered private placement. All of the shares issued under the Offering were purchased by Mr. Jeremy Link, the Company's recently appointed Vice-President, Corporate Development.

Mr. Link subscribed for 2,000,000 Units at a price of C$0.15 per Unit. Each Unit consisted of one ordinary share in the capital of the Company and one non-transferable ordinary share purchase warrant (a "Warrant"). Each Warrant entitles Mr. Link to purchase one ordinary share of Avnel Gold at a price of C$0.25 at any time for a period of two years from the date of issue of the Warrants.

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 the pre-feasibility and feasibility studies are completed and assessed to enable the Company to better evaluate future development options.

Mining Properties

The carrying value of the Company's property, plant and equipment, including mining properties and capitalised mine development costs, at September 30, 2014 was $12.8 million and at December 31, 2013 was $15.3 million respectively. The carrying value of these assets is supported by the Company's PEA reported by Snowden. 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.

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.

Contractual Obligations

The Company has the following contractual obligations at September 30, 2014:

Contractual Obligations - $000	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating Leases (1)	260	148	112	-	-
Total Contractual Obligations	260	148	112	-	-

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 $260,000 up until the end of the lease.

Contingent Liability

Malian Taxation

The three-year period Malian tax audit on SOMIKA for the years ended 2009, 2010 and 2011 was carried out during 2012 and resulted in a partial report received in December 2012 covering only the 2009 year. A further report covering 2010 and 2011 was received in November 2013. The inspector was claiming $7.2 million including penalties, 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 have taken external advice. Management responded to the inspector in December 2013 contesting the claim and held a working clarification meeting in January 2014. A re- assessment was received on July 14, 2014 for $6.5 million, which does not give rise to an obligation to pay. A letter disputing the re-assessment has been sent and discussions continue.

Related Party Transactions

SOMIKA purchases explosives from African Explosives Limited ("AEL"). Mr. Ibrahim Kantao is a director of the Company, SOMIKA and AEL and is also the Director-General of AEL Mali SARL. Such purchases amounted to $477,000 in the nine months ended September 30, 2014 compared to $521,000 in the nine months to September 30, 2013. 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 significant shareholder of Avnel. The Company incurred $120,000 in rental costs during the nine months ended September 30, 2014 compared to $108,000 in the nine months to September 30, 2013. 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 31, 2014 (the "AIF"), which section is incorporated by reference into and forms an integral part of this MD&A. A copy of the AIF can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Going concern

Supported by the results of the MRE and PEA, the directors consider that in the Kalana project the Company has a valuable asset. The directors recognise the continuing operations of the Company are dependent upon its ability to raise adequate financing and that additional funding will be required feasibility study, and in the longer term to build the proposed open pit mine at Kalana.

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.

The Company's operations are located in West Africa where a major health risk due to a recent outbreak of the Ebola virus has occurred, although appears to be contained. There is a risk that the Ebola virus may impact the mine's future operations. The Malian government has instituted procedures to reduce the risk of the Ebola virus becoming an epidemic and outside international agencies are providing support to control the outbreak.

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 francs, which are 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. To date, the Company 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 an open pit mine on the Kalana Exploitation 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.

Future Accounting Policies

The following new standards and amendments to standards and interpretations are not effective for the year ended December 31, 2014, and have not been applied in preparing these consolidated financial statements. These are summarised below:

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 January 1, 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 January 1, 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 June 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.

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 the 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 13, 2014, the Company had issued 261,430,124 common shares.

The following table shows the number of options or rights to purchase common shares of the Company as at November 13, 2014.

	Amount	**Strike**
2014 Private Placement Warrants	67,586,400	C$0.20
2014 Private Placement Compensation Options	1,222,776	C$0.15
2014 Private Placement Broker Warrants	810,000	C$0.20
2014 Private Placement Broker Compensation Units	810,000	C$0.15
2014 Link Private Placement Warrants	2,000,000	C$0.25
LTIP Stock Options (weighted average)	6,704,000	C$0.44
Meade Compensation Options	2,500,000	US$0.275
Total Dilutive Instruments (weighted average)	81,633,176	US$0.20

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, 2013, 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, 2014.

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

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

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

Due to the small size of the Company, there are certain 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, 2013, and have concluded that the Company's internal control over financial reporting was effective during the year 2013.

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 13, 2014. 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.

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. Forward-looking statements in this MD&A include, among other things, statements about the potential financing, development and operation of an open-pit mine based on the preliminary economic assessment of the Kalana Main Project, the completion of a pre-feasibility study and feasibility study on the Kalana Main Project and the continued operation of, and production at, the existing Kalana Gold Mine. 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 Mineral Resource estimates and Preliminary Economic Assessment regarding the Kalana Main Project is summarised or extracted from technical reports prepared by Snowden Mining Industry Consultants (Pty) Ltd ('Snowden") or Denny Jones Pty Ltd. ("Denny Jones"). These Technical Reports were prepared by Allan Earl, Executive Consultant of Snowden, and Ivor Jones, Principal of Denny Jones, each of whom is an independent "Qualified Person" as such term is defined in National Instrument 43-101 –Standards of Disclosure for Mineral Projects.

Technical information in this publication arising subsequent to the date of any technical reports, if any, regarding the Kalana Main Project and the Kalana Permit is provided by Avnel management under the supervision of Roy Meade, an Executive Director of Avnel, and Dr. Olivier Femenias, Vice-President, Geology of Avnel, each of whom is a non-independent "Qualified Person" as such term is defined in National Instrument 43-101.