AVNEL GOLD MINING LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2015

The following management's discussion and analysis (the "MD&A") for Avnel Gold Mining Limited ("Avnel" or the "Company") describes the consolidated operating and financial results of the Company for the period from April 1, 2015 to June 30, 2015. This MD&A should be read in conjunction with the un-audited consolidated financial statements and related notes for the three and six-month periods ended June 30, 2015, that have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In this MD&A, the Company also reports certain non-IFRS performance measures, such as cash operating cost per ounce sold, which are defined near the end of this MD&A in the section titled "Non-IFRS Measures". All amounts are expressed in United States 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 "Company", unless the context requires otherwise.

Second Quarter 2015 Highlights

- Completed a brokered Bought Deal financing for gross proceeds of C$12 million
- Increased the Kalana Main DFS drill program to 30,000 m
- Added a third drill rig to the Kalana Main DFS drill program
- Reported initial positive drill results from the Kalana Main DFS drill program
- Completed the requisite baseline field and socio-economic studies for the ESIA

Subsequent to quarter-end:

- Completed a 181-hole over 30,131 m drill program
- Reported additional positive results from the Kalana Main DFS drill program
- Commenced the Public Participation Process for the ESIA

Outlook

Near the end of the first quarter of 2015, the Company initiated a 23,500-metre ("m") drill program in support of the Definitive Feasibility Study ("DFS") for the Kalana Main project. Following a detailed evaluation of the exploration potential of the Kalana Main deposit, the Company added a third drill rig and increased the drill program to 30,000 metres at a budgeted cost of $5.3 million (up from $3.8 million) in the second quarter of 2015.

As detailed at length in the Company's recent news releases dated June 11 and July 16, results from the drill program have been positive and continue to reinforce the Company's confidence in the geological model. The Company remains confident that this drilling will support the conversion of a meaningful portion of the Mineral Resource into the Measured plus Indicated category, delineate new mineral resources, and positively impact several key performance indicators in the DFS. The drill program was completed on July 5 and assays from approximately one-third of the total drill program are pending.

Following the receipt of all assays, the Company plans to update the block model and report the next revision to the Mineral Resource estimate in late September 2015. This mineral resource estimate is expected to form the basis for a DFS that is scheduled to be completed in the first quarter of 2016.

As part of the DFS process, the Company is preparing a new Environmental and Social Impact Assessment ("ESIA") that will satisfy the requirements of the Equator Principles with the intention of pursuing international financing for the construction of an open pit mine at Kalana Main. The requisite baseline field and socio-economic studies for the ESIA were completed during the second quarter of 2015 and the Public Participation Process has commenced.

The ESIA and other associated studies, including a Community Resettlement Action Plan, are expected to be submitted to the Malian authorities for review and approval in the fourth quarter of 2015. The Company anticipates receiving approval from the Malian authorities in the first quarter of 2016. Pursuant to the Company's 2003 Foundation Agreement with the Government of Mali, the only significant permit required to develop new mines on the Kalana Exploitation Permit is the approval of an ESIA for each new mine.

As a result of these activities, the Kalana Main Project is expected to be sufficiently advanced for the Company to consider a construction decision to develop an open pit mine during 2016, subject to receipt of a positive DFS, approval of the new ESIA from the Malian authorities, and the availability of project financing.

Operations at the small, Soviet-era, underground mine at Kalana continue benefit from the ongoing weakness in local currencies relative to the US dollar, which contributed to lower than budgeted operating costs. In the first half of 2015, operations also benefitted from higher than budgeted gold production that resulted in higher cash flow and lower unit costs than budgeted. Despite these positive developments, the Company does not expect the underground mine to be profitable under the prevailing gold price environment. The Company continues to operate the underground mine to partially offset underground exploration expenses and help maintain socio-economic stability in the local community. The Company plans to continue operations through the completion of the DFS to enable a smooth transition for the workforce to a proposed open pit mining operation at the Kalana Main Project.

Overview of the Company

Avnel is a gold mining and exploration company whose principal asset is an 80% indirect equity interest in Société d'Exploitation des Mines d'Or De Kalana, S.A. ("SOMIKA"), with the Republic of Mali holding the remaining 20% equity interest that has free carry and anti-dilution rights. SOMIKA owns a long tenure (30 years plus two 10-year extension options) exploitation permit that was granted in 2003 and covers an area of 387.4 square kilometres (km^2) located in southwestern Mali (the "Kalana Exploitation Permit"). The Company is currently completing a DFS for the Kalana Main Project on the permit that is scheduled to be completed in the first quarter of 2016.

SOMIKA also owns a small, Soviet-era, underground mine at Kalana that is not expected to be profitable under the prevailing gold price environment. The Company plans to continue operations through the completion of the DFS to enable a smooth transition for the workforce to a proposed open pit mining operation and help maintain socio-economic stability in the local community.

In addition to its interest in SOMIKA, Avnel also has exploration permits to the immediate south of the Kalana Exploitation Permit, which are detailed in the section below titled “Fougadian Project”.

The Company’s strategic objective, through SOMIKA, is to develop the Kalana Main deposit into an open pit mining operation. As a result of the Company’s activities, the Kalana Main Project is expected to be sufficiently advanced for the Company to consider a construction decision to develop an open pit mine during 2016, subject to receipt of a positive DFS, approval of the new ESIA from the Malian authorities, and the availability of project financing. A secondary objective of the Company is to explore its permits to discover new mineral deposits.

Kalana Main Preliminary Economic Assessment

On March 31, 2014, the Company reported a Mineral Resource estimate and the results of a Preliminary Economic Assessment (“PEA”) prepared by Snowden Mining Industry Consultants. 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 $147 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.

For further information with respect to the PEA and the associated Mineral Resource estimate, please refer to the related NI 43-101 compliant technical report available at the Company’s website at www.avnelgold.com and on SEDAR (www.sedar.com) under the Company’s profile.

Kalana Main Definitive Feasibility Study

The Company is currently completing a DFS for the Kalana Main Project that is scheduled to be completed in the first quarter of 2016. As part of the DFS work program, the Company recently completed a 181-hole, 30,131 m drill program with a budgeted cost of $5.3 million. This drill program is intended to:

1) Better define the up-dip shape and continuity of known mineralisation near the west, north, and eastern margins of the current Mineral Resource estimate;

2) Infill small gaps within the model to better define grade and continuity; and

3) Step-out near the limits of the pit shell to test for near surface gold mineralisation in highly prospective areas.

The drill program was completed on July 5 and Company has reported assays from 19,108 m of drilling and additional assays from 11,023 m of drilling are pending (of a total of 30,131 m drilled). Select highlights from the drill program, which are detailed at length in the Company’s news releases dated June 11 and July 16, are summarised below.

Near the western limits of the Kalana Main deposit, drilling has intersected significant, shallow, high-grade mineralisation within the favourable oxidized saprolite horizon that is interpreted to be the up-dip extension of Vein 1, the most significant vein at Kalana Main. The confirmation of the up-dip extension of Vein 1 is highly encouraging as it is expected to support the conversion of a significant portion of the Inferred Resource to the Measured plus Indicated category. The presence of mineralisation within the saprolite horizon is significant because it typically exhibits higher metallurgical recoveries and lower mining and processing costs relative to deeper transitional and fresh rock material. The shallow nature of this mineralisation is also significant as it may be available for mining in the early years of the mine plan and thus is likely positively impact a number of key performance indicators in the upcoming DFS.

Drilling in close proximity to the northern and north-eastern limits of the pit shell has discovered significant, shallow, gold mineralisation within the saprolite horizon. The gold mineralisation typically consists of the primary, shallow dipping, high-grade quartz vein packages locally overprinted by abundant sub-vertical lower grade veins contained within north-south trending structural corridors. This drilling has further delineated areas of known mineralisation and is expected to result in localised northern extensions to in-pit portions of the Mineral Resource. Additionally, this drilling has intersected significant intervals of shallow gold mineralisation that is outside of the Mineral Resource and extends beyond the limits of the pit shell. The discovery of these northern and north-eastern extensions is highly encouraging as this portion of the block model does not contain any mineralisation. Consequently, the delineation of new mineralisation has the potential to positively impact the waste-to-ore ratio and other key performance indicators for the DFS.

Infill and gap drilling in the central, west-central, and north-central portions of the deposit, a complex portion of the deposit, is confirming the geological interpretation and model. The gold mineralisation typically consists of the primary, shallow dipping, high-grade quartz vein packages locally overprinted by abundant sub-vertical lower grade veins within north-south trending structural corridors. Drilling has also intersected significant high-grade gold mineralisation within the central and west-central portions of the deposit beneath Vein 1. This drilling is expected to improve grade continuity in the block model for both the high-grade vein packages and the corridors of lower grade sub-vertical veins.

The overprinting of the sub-vertical veins on the high-grade vein packages in the central and northern portions of the deposit is significant because it has resulted in longer composites of mineralisation compared to other portions of the deposit. Consequently, the Company will examine the potential for lower cost bulk mining in these portions of the deposit relative to the selective mining approach previously envisioned. The reassessment of portions of the deposit as bulk tonnage targets has the potential to positively impact the waste-to-ore ratio and other key performance indicators in the DFS.

Based upon the preliminary analysis of results received from the exploration program, drilling also indicates that the extents of mineralisation in close proximity to the west, north-western, northern, and north-eastern limits of the deposit has been generally defined. The Company has received assays from extension drilling on the eastern portion of the deposit from a limited number of holes, which have yielded modest results so far. No assays from infill and gap drilling in the south-eastern portion of the deposit have been received.

In summary, the overall results from the drill program have been positive and reinforce the Company's confidence in the geological model. Accordingly, the Company remains confident that this drilling will support the conversion of a meaningful portion of the Mineral Resource into the Measured plus Indicated category, delineate new mineral resources, and positively impact several key performance indicators in the DFS.

Following the receipt of all assays, the Company plans to update the block model and report the next revision of the Mineral Resource estimate in late September 2015 for the Kalana Main deposit. This mineral resource estimate is expected to form the basis for a DFS that is scheduled to be completed in the first quarter of 2016.

Kalana Main Environmental and Social Impact Assessment

As part of the DFS process, the Company is preparing a new ESIA to satisfy the requirements of the Equator Principles with the intention of pursuing international financing for the construction of an open pit mine at Kalana Main. The ESIA will be prepared to conform to the requirements of the International Finance Corporation's Performance Standards, the World Bank Group's Environment, Health, and Safety guidelines, and other financial institutions that are signatories to the Equator Principles. The requisite baseline field and socio-economic studies for the ESIA were completed during the second quarter of 2015 and the Public Participation Process has commenced.

The ESIA and other associated studies, including a Community Resettlement Action Plan, are expected to be submitted to the Malian authorities for review and approval in the fourth quarter of 2015. The Company anticipates receiving approval from the Malian authorities in the first quarter of 2016. Pursuant to the Company's 2003 Foundation Agreement with the Government of Mali, the only significant permit required to develop new mines on the Kalana Exploitation Permit is the approval of an ESIA for each new mine.

As a result of these activities, the Kalana Main Project is expected to be sufficiently advanced for the Company to consider a construction decision to develop an open pit mine during 2016, subject to receipt of a positive DFS, approval of the ESIA from the Malian authorities, and the availability of project financing.

March 2015 Mineral Resource Statement

As an interim step in the DFS process, the Company reported an updated mineral resource statement for the Kalana Project on March 26, 2015 (the "March 2015 MRE"). A comparison between the March 2015 MRE and the March 2014 MRE, which was reported as part of the March 31, 2014 PEA, is presented in the following table:

Total Mineral Resources for the Kalana Project March 2015 MRE vs. March 2014 MRE[1,2] (100% Project Basis Reported at a 0.9 g/t Au cut-off)									
	March 2015 MRE[3] ($1,100/oz Au)			**March 2014 MRE[3] ($1,110/oz Au)**			**Change (%)**		
	Tonnes (millions)	Grade (g/t Au)	Ounces (millions)	Tonnes (millions)	Grade (g/t Au)	Ounces (millions)	Tonnes (%)	Grade (%)	Ounces (%)
INDICATED MINERAL RESOURCES									
Kalana Main	14.5	4.52	2.11	8.5	4.53	1.25	70%	(0%)	70%
Tailings[4]	0.66	1.8	0.04	0.66	1.8	0.04	0%	0%	0%
TOTAL	**15.2**	**4.40**	**2.15**	**9.2**	**4.33**	**1.29**	**66%**	**2%**	**67%**
INFERRED MINERAL RESOURCES									
Kalana Main	1.8	5.28	0.31	2.1	3.7	0.25	-14%	43%	24%
Kalanako	0.38	5.55	0.07	-	-	-	-	-	-
TOTAL	**2.18**	**5.33**	**0.38**	**2.1**	**3.7**	**0.25**	**4%**	**44%**	**52%**

1 – Avnel Gold has an 80% equity interest in SOMIKA, the Malian company that owns the Kalana Exploitation Permit
2 – Some figures in this table may not compute due to rounding and truncation
3 – For detailed summaries of the March 2015 MRE and the March 2014 MRE please consult the Company's AIF for 2014.
4 – The Kalana tailings are reported at no cut-off as they are expected to be completely mined and reprocessed as per the PEA Technical Report

The March 2015 MRE, completed by Mr. Ivor Jones of Denny Jones Pty Ltd. for the Kalana Main deposit is based upon a total of 133,679 m of drilling from 800 drill holes, of which 771 were drilled between 2009 and 2012 by the IAMGOLD Corporation ("IAMGOLD"). Data added to the database since the PEA includes 10,868 LeachWELL re-assays plus the addition of three Ashanti Gold RC drill holes, four SOMIKA RC drill holes, and 20 Russian diamond drill holes for a grand total of 1,287 m. The evaluation of this additional data using enhanced interpretation techniques, plus an initial Mineral Resource for the Kalanako deposit, has resulted in a significant increase in the Mineral Resource base for the Kalana Project.

The pit-constrained Indicated Mineral Resource has increased 70% to 2.11 million ounces at the Kalana Main deposit since the PEA, which is attributable to a 70% increase in tonnes. The Indicated Mineral Resource estimate for the historic tailings from the Kalana Gold Mine is unchanged at 0.04 million ounces (0.66 million tonnes grading 1.8 grams of gold per tonne of material ("g/t Au")). Collectively, this represents a 66% increase in the total Indicated Mineral Resource tonnage and a 2% increase in grade, for a total 67% increase in ounces to 2.15 million ounces (15.2 million tonnes grading 4.40 g/t Au) at the Kalana Project.

Similarly, the Inferred Mineral Resource at the Kalana Main deposit have increased 24% to 0.31 million pit-constrained ounces since the PEA, which is attributable to a 14% decline in tonnes and a 43% increase in grade. Combined with the initial Inferred Mineral Resource of 70,000 ounces for the Kalanako deposit (0.38 million tonnes grading 5.55 g/t Au), this equates to a total Inferred Mineral Resource of 0.38 million ounces (2.18 million tonnes grading 5.33 g/t Au) at the Kalana Project.

Mineral Resources for the Kalana Project are pit-constrained using Whittle 4X shells and are reported at a cut-off of 0.9 g/t Au utilising a gold price of $1,100 per ounce (down slightly from $1,110 per ounce in the March 2014 MRE).

An important contribution to the Mineral Resource estimation process since the PEA is an improvement to the estimation of dilution. The addition of estimated local dilution compared to the global dilution assumption of 50% utilised in the PEA has resulted in the exclusion of some of lower grade and narrow mineralisation with the diluted grades falling below the 0.9 g/t Au cut-off grade. As detailed in the table below, the resultant pit-constrained and diluted Indicated Mineral Resource above the diluted cut-off grade of 0.9 g/t Au is estimated at 22.1 million tonnes grading 3.06 g/t Au (diluted) containing 2.17 million ounces with an estimated global dilution of 52%:

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

1 – Avnel Gold has an 80% equity interest in SOMIKA, the Malian company that owns the Kalana Exploitation Permit
2 – The above assessment of dilution is reported following depletion from historical production

The diluted Kalana Main deposit's Indicated Mineral Resource of 2.17 million ounces, combined with the 0.04 million ounces of Indicated Mineral Resource from historic tailings, results in a total Indicated Mineral Resource at the Kalana Main Project of 2.2 million ounces (22.8 million diluted tonnes at a diluted grade of 3.02 g/t Au).

Following the receipt of all assays from a recently competed drill program at Kalana Main, the Company plans to update the block model and report an updated Mineral Resource estimate in late September 2015. This mineral resource estimate is expected to form the basis for a DFS that is scheduled to be completed in the first quarter of 2016.

Kalana Main "Exploration Target"

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

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

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

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

Fougadian Project

The Fougadian Project is located immediately south of the Kalana Project and consists of the three exploration permits known as the Fougadian North, Fougadian South, and the Manankoulou permits that collectively cover an area of 150 km^2 (collectively, the "Fougadian Exploration Permits", unless the context is stated otherwise).

Between 2010 and 2014, these permits were subject to a joint venture agreement with IAMGOLD. Following the exit of IAMGOLD from the joint venture agreement, ownership of the permits held by IAMGOLD were transferred to Avnel. The Fougadian South and Manankoulou permits expire in 2015 and are eligible for renewal.

The Company has applied to the Malian Ministry of Mines for the grant of a consolidated exploration permit that covers an area of 99.8 km^2 and includes the most prospective portions of the Fougadian Exploration Permits. Negotiations with the Malian authorities are ongoing.

Based upon exploration programs conducted between 2006 and 2014 by the Company and IAMGOLD, which included geophysical surveys, geochemical surveys, and exploratory drilling over several gold anomalies, the Company continues to believe that the Fougadian Exploration Permits are prospective for the discovery of potentially economic gold deposits. A detailed review of these early stage exploration programs is provided in the Company's most recent Annual Information Form ("AIF").

Current Underground Mining Operations

Operations at the small, Soviet-era, underground mine at Kalana were cash flow positive in the first half of 2015 and have been so since the fourth quarter of 2014. Operations continue to benefit from continued weakness in the local currencies relative to the US dollar, which has contributed to lower than budgeted operating costs. Operations have also benefited from significantly higher than budgeted gold production, which resulted in higher cash flow and lower unit costs than budgeted. Higher than budgeted gold production is attributed to a higher than budgeted head grade of material processed by the mill and slightly better than budgeted gold recovery.

The Company's full year forecast production of 9,200 ounces in 2015 (up from an initial full-year forecast of 8,100 ounces) remains unchanged.

Despite these positive developments, the Company does not expect the underground mine to be profitable under the prevailing gold price environment. The Company plans to continue operations through the completion of the DFS to enable a smooth transition for the workforce to a proposed open pit mining operation and help maintain socio-economic stability in the local community. The continued operation of the mine also partially offsets the cost of providing access for underground exploration activities.

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Total Revenue	3,379	2,809	6,466	5,593
Total Expenses	4,672	4,856	8,081	9,724
Other expenses	(980)	(53)	(791)	(138)
Net loss	(2,273)	(2,100)	(2,406)	(4,269)
Net loss from continuing operations attributable to parent	(1,860)	(1,572)	(1,774)	(3,256)
Net loss per share attributable to parent	($0.006)	($0.008)	($0.006)	($0.017)
Weighted average shares outstanding	268,887,267	191,743,724	274,229,019	191,743,724

Balance Sheet	June 30, 2015	June 30, 2014	Dec 31, 2014
Working capital surplus	13,307	5,230	9,817
Total assets	32,782	22,657	25,930
Total non-current liabilities	10,863	3,068	8,593
Shareholders’ equity	32,450	28,478	28,072

Results of Operations

Metal revenues increased to $6,466,000 in the half year to June 30, 2015 from $5,593,000 in the half year to June 30, 2014. The increase in revenue is a result of a 24% increase in ounces sold from 4,287 ounces in the half year to June 30, 2014 relative to 5,332 ounces in the half year to June 30, 2015. The increase in revenue was partly offset by a 7% decrease in the realised average sales price of gold from $1,302 per ounce in the half year to June 30, 2014 to $1,210 per ounce in the half year to June 30, 2015.

Total expenses reduced by 17% from $9,724,000 in the half year to June 30, 2014 to $8,081,000 in the half year to June 30, 2015. The reduction in expenses is attributed to the strengthening of the US dollar relative to the Central African franc (“CFA”) and the South African Rand. Lower mining costs, resulting from a reduction in the rate of underground mining and an increase in the processing of surface stockpiles, have also contributed to lower operating expenses. Exploration costs expensed was nil in the first half of 2015 compared to $392,000 in the first half of 2014. Operating costs per ounce of gold sold for the half year to June 30, 2015 reduced from $1,536 per ounce to $1,000 per ounce, which is attributable to lower operating costs and higher gold sales in the current period relative to the comparative period.

Avnel recorded a net loss of $2,406,000 ($0.006 attributable loss per share) for the half year ended June 30, 2015 compared to a net loss of $4,269,000 ($0.017 attributable loss per share) in the half year to June 30, 2014. Included in the half year to June 30, 2015 is a loss on the fair value of derivative financial instruments of $679,000, compared to nil in the first half of 2014, arising from a change in the fair value of warrants outstanding. The fair value accounting losses reported have no cash effect on the Company.

As compared to the condensed consolidated statement of financial position as at December 31, 2014, Avnel's cash and cash equivalents as at June 30, 2015 increased by $5,215,000 from $7,709,000 to $12,924,000 arising from cash provided by the financing in May of $8,925,000 that was partly offset by the cost of exploration and evaluation asset expenditure of $4,288,000. The Company had a working capital surplus of $13,307,000 as at June 30, 2015 compared to a working capital surplus of $9,817,000 as at December 31, 2014. Total assets increased from $25,930,000 as at December 31, 2014 to $32,782,000 at June 30, 2015.

Total non-current liabilities increased from $8,593,000 as at December 31, 2014 to $10,863,000 at June 30, 2015, mainly due to the fair value of the warrants issued in May 2015 and also the re-valuation of the warrants issued in 2014. The fair value of derivative financial instruments has no cash effect on the Company.

Total stockholders' equity increased to $32,450,000 as at June 30, 2015 from $28,072,000 as at December 31, 2014.

Mining Operations

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

	Three months ended June 30		**Six months ended June 30**	
	2015	**2014**	**2015**	**2014**
Tonnes milled:	12,237	12,286	24,581	24,633
Average grade processed (g/t Au):	7.14	6.47	8.29	6.51
Recovery rate (%)	79.3	79.5	80.7	82.1
Gold production (ounces)	2,228	2,048	5,287	4,233
Cost per tonne milled	$219	$268	$219	$268
Operating cost per ounce of gold sold	$1,179	$1,565	$1,000	$1,536
Operating cost per ounce of gold produced	$1,204	$1,608	$1,016	$1,561

Gold production of 5,287 ounces in the half year to June 30, 2015 was 25% higher than the half year to June 30, 2014. The increase in production is attributable to a 27% increase in average grade processed to 8.29 g/t Au in the first half of 2015 compared to 6.5 g/t Au in the first half of 2014. The increase in average grade processed was partly offset by lower gold recovery of 80.7% in the first half of 2015 relative to 82.1% in the comparative period of 2014, although still inline with the budgeted rate of 80%.

Gold Sales

Gold sales data is as follows:

	Three months ended June 30		Six months ended June 30	
	2015	**2014**	**2015**	**2014**
Ounces sold	2,799	2,152	5,332	4,287
Average realized gold price ($ per ounce)	1,204	1,302	1210	1,302

Metal revenue - $000

	Three months ended June 30		Six months ended June 30	
	2015	**2014**	**2015**	**2014**
Total gold sales	3,372	2,803	6,453	5,581
Silver sales	7	6	13	12
Metal revenue	3,379	2,809	6,466	5,593

Gold spot prices commenced in 2015 at $1,172 per ounce and ended at June 30, 2015 at $1,171 per ounce, with the London PM Fix averaging $1,206 per ounce during the half year.

Summary of Quarterly Results

Consolidated Statement of Operations for the Quarters Ended

Quarter ended (US$'000 except per share amounts)	**June 30 2015**	**Mar 31 2015**	**Dec 31 2014**	**Sept 30 2014**	**June 30 2014**	**Mar 31 2014**	**Dec 31 2013**	**Sept 30 2013**
Total Revenue	3,379	3,087	3,722	2,709	2,809	2,784	2,763	2,930
Net loss from continuing operations	(2,273)	(133)	(2,948)	(3,079)	(2,100)	(2,169)	(1,710)	(1,766)
Net profit/(loss) from continuing operations attributable to owners of the parent	(1,860)	86	(2,150)	(3,076)	(1,572)	(1,684)	(987)	(755)
Net profit/(loss) per share from continuing operations attributable to owners of the parent	($0.006)	$0.000	($0.008)	($0.012)	($0.008)	($0.009)	($0.005)	($0.004)

Second Quarter Results

Metal revenues increased to $3,379,000 in the quarter to June 30, 2015 from $2,809,000 in the quarter to June 30, 2014, which is attributed to an increase in gold sales from 2,152 ounces in the quarter to June 30, 2014 to 2,799 ounces in the quarter to June 30, 2015. The increase in gold sales was partly offset by a reduction in the realised average sales price of gold from $1,302 per ounce in quarter to June 30, 2014 to $1,204 per ounce in quarter to June 30, 2015.

Total expenses reduced from $4,856,000 in the quarter to June 30, 2014 to $4,672,000 in the quarter to June 30, 2015. Operating costs per ounce of gold sold for the quarter to June 30, 2015 reduced from $1,565 per ounce to $1,179 per ounce arising mainly from the strengthening of the US dollar relative to the CFA and the South African Rand. Lower mining costs, resulting from a reduction in the rate of underground mining and an increase in the processing of surface stockpiles, have also contributed to lower operating costs. An increase in the number of ounces sold relative to the comparative period also contributed to lower unit costs of sales.

Avnel recorded a net loss of $2,273,000 ($0.006 attributable loss per share) for the quarter to June 30, 2015, compared to a net loss of $2,100,000 ($0.008 attributable loss per share) in the comparative period in 2014. Included in the quarter to June 30, 2015 is a loss on the fair value of derivative financial instruments of $975,000, compared to nil in the quarter to June 30, 2014, arising from the fair value of warrants. The fair value accounting losses reported have no cash effect on the Company.

Avnel's cash and cash equivalents increased by $6,665,000 in the quarter to June 30, 2015 from $6,259,000 to $12,924,000 arising from cash provided by the May financing of $8,925,000 that was partly offset by the cost of exploration and evaluation asset expenditures of $3,777,000.

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 realise its assets and discharge its liabilities in the normal course of business. The Company had net current assets of $13,307,000, including a cash balance of $12,924,000 as at June 30, 2015

The Board of Directors recognise that the continuing operations of the Company are dependent upon its ability to raise adequate financing and that additional funding will be required to develop the proposed Kalana Main open pit mine.

On May 7, 2015 the Company closed a Bought Deal financing and issued 42,900,000 units ("the Units") in the capital of the Company at a price of C$0.28 per Unit for gross proceeds of C$12,012,000. Each Unit consisted of one ordinary share in the capital of the Company and one half of one share purchase warrant. Each whole warrant is exercisable into one ordinary share at an exercise price of C$0.40 per share for a period of 24 months. The proceeds will be used to complete the DFS and general corporate purposes.

The Company intends to sustain the current underground mining operation as long as economically feasible, without incurring significant capital expenditures, until such time as the DFS is completed and assessed to enable the Company to evaluate development options.

Financing - Use of Proceeds

During the quarter ended June 30, 2015, the Company completed an equity financing, which closed on May 7, 2015, by way of a short form Prospectus, raising net proceeds of US$9.0 million. The following table details how the net proceeds of the financing have been used up to June 30, 2015 compared to the anticipated use of the net proceeds set out in the Prospectus:

Net Use of Proceeds US$, millions	**Prospectus**	**Actual to June 30, 2015**
Definitive Feasibility Study and Drilling	5.2	1.8
Exploration Programs	1.2	0.0
Corporate Costs and Working Capital	2.5	0.2
Total	8.9	2.0

The allocation of the net proceeds of the financing may be adjusted within the stated categories of expenditures above depending on, among other things, timing of receipt of required government approvals, availability of equipment and services, and general political and market conditions. Further, while the Company intends to use the net proceeds as stated above, there may be circumstances that are not known at this time where a reallocation of the net proceeds may be advisable for business reasons that management believes are in the Company's best interest.

Mining Properties
The carrying value of the Company's property, plant and equipment, including mining properties and capitalised mine development costs and capitalised exploration and evaluation assets, at June 30, 2015 was $15,881,000 and at December 31, 2014 was $13,678,000. 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 June 30, 2015, management assessed indicators of impairment of the carrying value of the Company's mining assets and does not consider that there has been any evidence of impairment in the value of such assets.

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 capitalised development costs is dependent upon, amongst other things, obtaining the necessary financing to develop the proposed open-pit Kalana Main Mine.

Contractual Obligations
The Company has the following contractual obligations as at June 30, 2015:

Contractual Obligations - $000	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating Leases (1)	186	170	16	-	-
Total Contractual Obligations	186	170	16	-	-

Notes:

(1) The Company has entered into operating leases for office space and equipment with a company related to the Fern Trust, a significant shareholder of the Company, as defined by the TSX. Pursuant to these leases, which expire in June 2016, future minimum payments amount to $181,000 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 in June 2017, future minimum payments amount to $32,000.

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. A further report covering 2010 and 2011 was received in November 2013. The inspector was claiming $7.2 million including penalties, alleging payment of interest and fees, (which is disputed), withholding tax on foreign suppliers and VAT exemption. Management believe strongly that the majority of the tax claims are unfounded 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 reassessment was received on July 14, 2014 for $6.5 million, which does not give rise to an obligation to pay. On July 16, 2014 a letter disputing the re-assessment was sent and discussions continue.

Related Party Transactions
SOMIKA purchases explosives from African Explosives Limited ("AEL"). Mr. Ibrahim Kantao is a director of Avnel, SOMIKA and AEL and is also the Director-General of AEL Mali SARL, a subsidiary of AEL. Such purchases amounted to $181,000 in the six months ended June 30, 2015 compared to $325,000 in the six months to June 30, 2014. The Company has an ongoing supply agreement with AEL.

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 the Company. The Company incurred $74,000 in rental costs during the six months ended June 30, 2015 compared to $79,000 in the six months to June 30, 2014. The Company's lease expires in June 2016.

The Company has a contract with DMT Geosciences Ltd. ("DMT") as consultants for the Kalana Main DFS. Consulting costs of $6,500 were charged in the six months to June 30, 2015 (2014: $Nil). Mr. Keith McCandlish, who became a member of Avnel's Board on March 30, 2015, is the Managing Director of DMT.

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, 2015 (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 March 2014 PEA and March 2015 MRE, the directors consider the Kalana Main Project to be a valuable asset. The directors recognise the continuing operations of the Company are dependent upon its ability to obtain adequate financing and that additional funding will be required to develop the proposed Kalana Main open pit mine.

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 that 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, which appears to be contained. There is a risk that the Ebola virus may impact the mine's future operations both directly and indirectly. The governments of Mali its neighbouring countries and have instituted procedures to reduce the risk of the Ebola virus becoming an epidemic and outside international agencies are providing support to contain the outbreak.

Gold Prices
The Company also faces risk in respect of its exposure to the market price of gold, which is subject to significant fluctuation and are affected by a number of factors that are beyond Avnel's control. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and political and economic conditions. The prices of precious and base metals are cyclical and have experienced significant volatility in the past 10 years. The price of gold is near a 5-year low in US dollar terms and further price declines could cause continued development of and commercial production from our properties to be uneconomic.

Foreign Exchange Risk/Gold Hedging
All gold revenues and a portion of operating costs are in United States 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 at a ratio of 655.957 CFA per 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 has not hedged its foreign exchange risk relating to its non-US dollar expenses to date.

Capital Requirements
Avnel will require significant capital in order to fund future plans to develop the Kalana Main Project. In addition, 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 that could 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 currently 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 that 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.

Critical Accounting Estimates
The consolidated financial statements of the Company for the quarter ended March 31, 2015, 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 that 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 is charged to operations using the units of production method based upon estimated proven and probable reserves that can be recovered.

During 2006, the Company commissioned an environmental report by an independent party. This estimated that the cost to retire and rehabilitate the underground Kalana Gold Mine was $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, which is dependent on ongoing exploration, positive technical studies, approval of a new ESIA by the Malian authorities, and the availability of project financing.

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 August 12, 2015, the Company had issued 304,330,124 common shares and the following provides details on options or rights to purchase common shares of the Company as at August 12, 2015.

Avnel's share purchase options that have been issued to employees and contractors consist of:

(a) 2,500,000 amended CEO options issued on February 23, 2005, which can be exercised at a price of US$0.275 per option to purchase one common share of Avnel, expiring on February 23, 2023; and

(b) 6,704,000 Employee Long Term Incentive Plan options issued between August 2005 and May 14, 2015, which can be exercised at a price of between CS$0.20 and C$0.76 per option to obtain one common share of Avnel, expiring between August 2015 and March 2023:

Date of Grant	Vesting Date	Expiration Date	Exercise Price ($C)	Number Outstanding
August 31, 2005	August 31, 2005	August 19, 2015	0.76	899,000
August 8, 2008	August 8, 2008	August 6, 2018	0.45	1,500,000
November 9, 2010	November 9, 2010	November 9, 2015	0.28	170,000
January 1, 2011	January 1, 2011	December 31, 2016	0.35	170,000
January 1, 2011	January 1, 2012	December 31, 2016	0.35	170,000
January 1, 2011	January 1, 2013	December 31, 2016	0.35	160,000
November 15, 2011	November 15, 2011	November 15, 2021	0.60	1,500,000
March 25, 2013	March 25, 2013	March 25, 2023	0.35	50,000
September 5, 2014	September 5, 2014	September 5, 2019	0.25	300,000
September 5, 2014	September 5, 2014	September 5, 2019	0.20	500,000
September 5, 2014	September 5, 2014	September 5, 2019	0.20	920,000
September 5, 2014	September 5, 2015	September 5, 2019	0.20	245,000
September 5, 2014	September 5, 2016	September 5, 2019	0.20	120,000
				6,704,000

Warrants and Compensation Options

The following table shows the number of warrants (and similar instruments) to purchase Common Shares of the Company as at August 12, 2015:

Date Issued	Type	Date Expiring	Exercise Price (C$)	Number Outstanding
July 17, 2014*	Warrants	January 17, 2017	0.20	67,586,400
July 17, 2014	Broker Compensation Options	July 17, 2017	0.15	1,222,776
July 17, 2014	Broker Warrants	January 17, 2017	0.20	810,000
July 17, 2014	Broker Compensation Units	July 17, 2016	0.15	810,000
Sept 18. 2014	Warrants	Sept. 18, 2016	0.25	2,000,000
May 7, 2015	Warrants	May 7, 2017	0.40	21,450,000
May 7, 2015	Broker warrants	May 7, 2017	0.27	2,378,000
				96,257,176

* The warrants issued on July 17, 2014, entitle the holder to purchase one ordinary share in the capital of the Company at a price of C$0.20, at any time for a period of 30 months from the date of issue, provided that in the event that the ordinary shares trade on the Toronto Stock Exchange, or other recognised stock exchange or market, as applicable, at a volume-weighted average price of C$0.30 or more for a period of at least 20 consecutive trading days, the Company shall be entitled to accelerate the exercise period to a period ending at least 30 days from the date that notice of such acceleration is provided to the holders of warrants.

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 Financial Officer ("CFO") of the Company, evaluated the design and effectiveness of the Company's disclosure controls and procedures as of December 31, 2014, 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 June 30, 2015.

It should be noted that, while the Company's 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, which 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 CFO, have evaluated the design and effectiveness of internal controls over financial reporting as at December 31, 2014, and have concluded that the Company's internal control over financial reporting was effective during the year 2014.

The Company's management believes 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 August 12, 2015 and should be read in conjunction with the un-audited consolidated financial statements and related notes as at and for the three- and six-month periods ended June 30, 2015 that were been prepared in accordance with IFRS. Additional information about the Company, including the Company's most recent Annual Information Form, is available from the Company's website (www.avnelgold.com) or the website of SEDAR (www.sedar.com).

Non-IFRS Measures
Avnel's audited consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and the accounting policies adopted in accordance with IFRS.

Management uses both IFRS and non-IFRS measures to monitor and assess the operating performance of the Company's operations. Throughout this MD&A, management uses certain non-IFRS performance measures to provide additional information, as the Company believes that certain investors use these measures to assess gold mining companies. These non-IFRS performance measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Non-IFRS performance measures do not have standardised definition sunder IFRS and therefore may not be comparable to similar measures presented by other organizations:

"Cost per Tonne Milled" is calculated by dividing the relevant mining and processing costs and total costs by the tonnes of ore processed in the period. Management uses this measure as a possible indication of the mining and processing efficiency of the mine.

"Cash Operating Cost" is calculated as reported production costs, which includes costs such as mining, processing, administration, non-site costs (transport and refining of metals, and community and environmental), less royalties paid. These costs are then divided by the number of ounces sold to arrive at "Cash Operating Cost per Ounce Sold". These costs may also are divided by the number of ounces produced to arrive at "Cash Operating Cost per Ounce Produced". These terms are commonly used by gold mining companies to assess the level of gross margin available to the Company, typically by subtracting Cash Operating Per Ounce Sold from the average per ounce price realised during the period. These terms are also often used as an indication of a mining company's ability to generate cash flow from operations.

"All-in Sustaining Cost" is defined in the PEA by Snowden as mine site cash operating costs, which includes costs such as mining, processing, administration, but excludes non-site costs (transport and refining of metals and royalties), plus sustaining capital costs, which includes community, environmental, and closure costs. These costs are then divided by the number of ounces produced to arrive at "All-in Sustaining Cost Per Ounce".

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 definitive 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.

Technical Information

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

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

The Mineral Resources reported in this MD&A have been classified within the meaning of the CIM *Definition Standards for Mineral Resources and Mineral Reserves* (November 2010). The Mineral Resource may be affected by further infill and exploration drilling that may result in increases or decreases in subsequent resource estimates. The Mineral Resource may also be affected by subsequent assessments of mining, environmental, processing, permitting, taxation, socio-economic, and other factors. Grade has been estimated using Multiple Indicator Kriging ("MIK"). Actual recoveries of mineral products may differ from reported Mineral Reserves and Mineral Resources estimates due to inherent uncertainties in acceptable estimating techniques. In particular, Inferred Mineral Resources have a great amount of uncertainty as to their existence, economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category of Mineral Resource. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into Proven and Probable Mineral Reserves.

Unless stated otherwise, all Mineral Resources reported in this MD&A are classified as Indicated or Inferred Mineral Resources in accordance with the CIM *Standards on Mineral Resources and Reserves, Definitions and Guidelines* prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.

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