AVNEL GOLD MINING LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 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 three and nine month periods to September 30, 2015. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the three and nine-month periods ended September 30, 2015, which 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.

Third Quarter 2015 Highlights

- Completed a 30,143 m drill program over 181 holes
- Commenced the formal Public Participation Process for the Kalana Main ESIA
- Completed the geotechnical work program for the DFS

Subsequent to September 30, 2015:

- Announced an updated Mineral Resource estimate for the Kalana Main Project.
- Reported that the pit-constrained in situ Measured plus Indicated Mineral Resource has increased to 2.69 million ounces of gold for the Kalana Main deposit
  (19.9 million tonnes grading 4.20 g/t Au above a 0.9 g/t Au cut-off grade)
- Reported that the diluted Measured plus Indicated Mineral Resource has increased to 2.81 million ounces of gold for the Kalana Main deposit
  (30.6 million diluted tonnes at a diluted grade of 2.85 g/t Au above a 0.9 g/t Au cut-off grade)

Outlook

The Company continues to expect that the DFS ("Definitive Feasibility Study") for the Kalana Main Project will be completed by the end of the first quarter of 2016, as engineering is well advanced. For example, geotechnical test work and modelling was completed during the third quarter of 2015 and was utilised in the Whittle optimisation for the updated Mineral Resource estimate ("MRE") reported on October 5, 2015 (the "September 2015 MRE"). Metallurgical test work and process plant design are scheduled to be completed in the fourth quarter of 2015. Mine design scheduling is scheduled to be completed in the first quarter of 2016.

Based upon the initial findings from ongoing technical studies, the process plant is expected to be a conventional gravity plus carbon-in-leach ("CIL") system. The processing rate of the process plant design is expected to be finalised during the fourth quarter of 2015.

In parallel with the DFS, 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 is being prepared to conform to the requirements of the International Finance Corporation's Performance Standards, the World Bank Group's Environmental, Health, and Safety guidelines, and other financial institutions that are signatories to the Equator Principles. The requisite baseline environmental, health and safety, and socio-economic studies for the ESIA were completed during the second quarter of 2015.

The formal Public Participation Process for the ESIA commenced in August 2015 and is expected to conclude in December 2015. The draft ESIA and other associated documentation, including a draft Community Resettlement Action Plan for a portion of the Village of Kalana, is scheduled to be submitted to the Malian authorities in December 2015. Following the review of the draft ESIA, the Company expects to submit the final ESIA for approval in early 2016. Accordingly, the Company continues to anticipate receiving approval of the ESIA and a new Environmental and Mining Permit by the end of the first quarter of 2016. The Kalana Exploitation Permit was awarded to Avnel in 2003 with an initial term of 30 years and, pursuant to the Company's Foundation Agreement with the Government of Mali, the only significant approval required to develop new mines is an ESIA.

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

Operations at the small, Soviet-era, underground mine at Kalana continue to benefit from the ongoing weakness in local currencies relative to the US dollar, which contributed to lower than budgeted operating costs. In the first nine months 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 offset the cost of providing underground access to facilitate due diligence activities necessary to secure mine development financing 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 by the end of 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 interests 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 the March 2014 MRE and the results of a Preliminary Economic Assessment (“PEA”) prepared by Snowden Mining Industry Consultants Pty Ltd. (“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 on-site 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 MRE, please refer to the related National Instrument 43-101 (“NI 43-101”) compliant technical report available at the Company’s website 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 by the end of the first quarter of 2016, as engineering is well advanced.

<u>Geotechnical</u>

During the third quarter of 2015, the geotechnical work program was completed to provide data for the design of the open pit. The program included diamond core drilling, geotechnical and structural logging of drill core, and geotechnical laboratory testing. A geotechnical model has been developed, which included recommended parameters for slope angles, which were utilised in the pit optimisation for the September 2015 MRE. The recommended inter-ramp angles (toe to crest) are 32.5 degrees in saprolite, a range of 46 to 49 degrees in saprock, and a range of 50 to 55 degrees in fresh rock.

Similarly, the geotechnical program for the final design of the tailings storage facility (“TSF”) has been completed. The program included test pits at the site, geotechnical logging, and laboratory testing by ROCKLABS in South Africa. The laboratory test program included indicator, compaction, permeability, and tri-axial testing. The results demonstrate that there is suitable TSF construction material on site and that the majority of the footprint has low permeability characteristics. Although not required, the final design is expected to include a synthetic liner as an additional measure to prevent fluid migration from the TFS.

Mine Planning and Scheduling

Mine planning, using the pit shells generated from the Whittle optimization process, has progressed since the completion of the September 2015 MRE and is being used to finalize mining rates. A small portion of the September 2015 MRE may be amenable to bulk mining and these studies are ongoing. Detailed mine design and scheduling is expected to be completed in the first quarter of 2016.

Metallurgical

Metallurgical test work for the final plant design is scheduled to be completed in the fourth quarter of 2015. Based upon preliminary results, which include considerations for metallurgical recovery of gold and the costs associated with variable grind sizes, the design of the mill is to be based upon a grind size of 80% passing 75 microns. Depending upon the nature of the material being processed by the mill, it may be possible to operate the mill at a coarser grind to further enhance project economics.

Similarly, the metallurgical recovery optimisation program for the plant design is scheduled to be completed in the fourth quarter of 2015. The program includes the detailed evaluation of gravity and cyanide leach gold recovery methods using variable operating conditions, such as pH, cyanide concentration, pre-oxidation, and machine-assisted leaching, in saprolite, saprock, and fresh rock material. Additional work for the optimisation of metallurgical recovery and cyanide leaching residence time for saprolite and historic tailings materials is scheduled to be completed near the start of the 2016.

Process Plant Design

Based upon the initial findings from ongoing technical studies, the gold recovery circuit is expected to be a conventional gravity plus CIL plant. Plant design, which includes processing rates, is scheduled to be completed in the fourth quarter of 2015.

Mineral Resource Estimate for the Definitive Feasibility Study

As part of the DFS, the Company completed a 181-hole, 30,143 m drill program at a cost of $4.5 million (well below the budgeted amount of $5.3 million). The drill program was completed on July 5, 2015 and the results were detailed at length in the Company's June 11, July 16, and September 15, 2015 news releases.

On October 5, 2015 the Company reported an updated mineral resource statement for the Kalana Project (the "September 2015 MRE"), which is the basis for the DFS. The September 2015 MRE is based upon information from a total of 170,080 metres ("m") of drilling from 989 holes. Information added to the database since the March 2015 MRE includes 28 diamond drill holes, 137 RC drill holes, and 16 combined RC-diamond drill holes that were drilled in 2015.

Kalana Main In Situ Mineral Resource Estimate

A comparison between the September 2015 in situ MRE and the March 2015 in situ MRE for the Kalana Main deposit is presented in the following table:

Total in situ Mineral Resources for the Kalana Main Deposit September 2015 MRE vs. March 2015 MRE[1,2,3] (100% Project Basis Reported Above a 0.9 g/t Au Cut-off Grade)									
	September 2015 MRE[4] ($1,100/oz Au)			**March 2015 MRE[5] ($1,100/oz Au)**			**Change (%)**		
Resource Category	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)	Tonnes (Mt)	Grade (g/t Au)	Ounces (Moz)	Tonnes (%)	Grade (%)	Ounces (%)
Measured	9.0	4.24	1.23	-	-	-	n.m.	n.m.	n.m.
Indicated	10.9	4.19	1.46	14.5	4.52	2.11	(25%)	(7%)	(31%)
M + I	**19.9**	**4.21**	**2.69**	**14.5**	**4.52**	**2.11**	**37%**	**(7%)**	**27%**
Inferred	0.8	4.59	0.11	1.8	5.28	0.31	(56%)	(13%)	(65%)

1 – Mineral Resources are disclosed on a total project basis at 100%. Avnel owns 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 – Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
4 – A summary of the in situ September 2015 MRE is presented as part of Avnel's news release dated October 5, 2015.
5 – A summary of the in situ March 2015 MRE is presented in Avnel's Annual Information Form ("AIF") for the year ended 2014.

In addition to demonstrating the continuity of mineralisation and improving confidence in the geological model, as evidenced by the classification of a portion of the Mineral Resource as Measured, the 2015 drill program resulted in an increase to the Mineral Resource by defining new zones of mineralisation, extensions to known vein packages, and delineation of thicker corridors sub-vertical mineralisation, albeit often at a lower average grade than the core of the Kalana Main deposit. The addition of new lower grade mineralisation contributed to a reduction in the average grade of the deposit relative to prior estimates. The increase in the Measured plus Indicated ("M+I") portion of the Mineral Resource is attributed to the upgrading of a portion of the Inferred Mineral Resource combined with an increase to density of the drill pattern in the central part of the deposit.

Kalana Main Diluted Mineral Resource Estimate

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 lower grade and narrow mineralisation with the diluted grades falling below the 0.9 grams of gold per tonne of material ("g/t Au") cut-off grade. As detailed in the tables below, the pit-constrained diluted M+I Mineral Resource above the diluted cut-off grade is estimated at 30.6 million tonnes at a diluted grade of 2.85 g/t Au containing 2.81 million ounces with an estimated global dilution of 54%.

Kalana Main Measured Mineral Resource Dilution Estimate as at September 30, 2015[1,2,3]

	Resource Tonnes (Mt)	Resource Grade (g/t Au)	Internal Dilution (%)	External Dilution (%)	Grade Internal Dilution (g/t Au)	Grade External Dilution (g/t Au)	Diluted Tonnes (Mt)	Diluted Grade (g/t Au)	Contained Gold (Moz)
Measured	9.0	4.24	21%	24%	0.40	0.28	13.6	2.92	1.28
Indicated	10.9	4.19	19%	31%	0.40	0.31	17.0	2.80	1.53
M + I	**19.9**	**4.20**	**20%**	**28%**	**0.40**	**0.30**	**30.6**	**2.85**	**2.81**
Inferred	0.8	4.59	20%	40%	0.36	0.49	1.3	2.93	0.12

1 – Mineral Resources are disclosed on a total project basis at 100% as at September 30, 2015. Avnel owns 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 – Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

A breakdown of the diluted Mineral Resource by classification and oxidation state is presented in the following table:

Kalana Main Deposit Diluted Mineral Resource Above a 0.9 g/t Au Cut-off Grade[1,2,3]

	Tonnes (Mt)	Grade (g/t Au)	Contained Gold (Moz)
MEASURED MINERAL RESOURCE			
Saprolite	2.7	3.11	0.27
Saprock	1.0	3.63	0.12
Fresh	9.9	2.80	0.89
TOTAL	**13.6**	**2.92**	**1.28**
INDICATED MINERAL RESOURCE			
Saprolite	2.6	2.86	0.24
Saprock	1.1	2.80	0.10
Fresh	13.4	2.78	1.20
TOTAL	**17.0**	**2.80**	**1.53**
MEASURED + INDICATED MINERAL RESOURCE			
Saprolite	5.3	2.99	0.51
Saprock	2.1	3.21	0.22
Fresh	23.2	2.79	2.08
TOTAL M+I	**30.6**	**2.85**	**2.81**
INFERRED MINERAL RESOURCE			
Saprolite	0.16	2.51	0.01
Saprock	0.03	2.08	0.00
Fresh	1.11	3.02	0.11
TOTAL	**1.30**	**2.93**	**0.12**

1 – Mineral Resources are disclosed on a total project basis at 100% as at September 30, 2015. Avnel owns an 80% equity interest in SOMIKA, the Malian company that owns the Kalana Exploitation Permit.
2 – Some amounts in this table may not compute due to rounding and truncation.
3 – Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

The Kalana Main deposit's diluted M+I Mineral Resource of 2.81 million ounces combined with the 0.04 million ounces of Indicated Mineral Resource from historic tailings (0.7 million tonnes at a grade of 1.75 g/t Au) results in a total M+I Mineral Resource of 2.85 million ounces (31.3 million diluted tonnes at a diluted grade of 2.82 g/t Au).

Kalana Main Environmental and Social Impact Assessment

In parallel with the DFS, 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 is being prepared to conform to the requirements of the International Finance Corporation's Performance Standards, the World Bank Group's Environmental, Health, and Safety guidelines, and other financial institutions that are signatories to the Equator Principles. The requisite baseline environmental, health and safety, and socio-economic studies for the ESIA were completed during the second quarter of 2015.

The formal Public Participation Process for the ESIA commenced in August 2015 and is expected to conclude in December 2015. The draft ESIA and other associated documentation, including a draft Community Resettlement Action Plan for a portion of the Village of Kalana, is scheduled to be submitted to the Malian authorities in December 2015. Following the review of the draft ESIA, the Company expects to submit the final ESIA for approval in early 2016. Accordingly, the Company continues to anticipate receiving approval of the ESIA and a new Environmental and Mining Permit by the end of the first quarter of 2016. The Kalana Exploitation Permit was awarded to Avnel in 2003 with an initial term of 30 years and, pursuant to the Company's Foundation Agreement with the Government of Mali, the only significant approval required to develop new mines is an ESIA.

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 stated otherwise).

Between 2010 and 2014, these permits were subject to a joint venture agreement with IAMGOLD Corporation ("IAMGOLD"). Following the exit of IAMGOLD from the joint venture agreement, ownership of the permits held by IAMGOLD were transferred to Avnel.

All permits that comprise the Fougadian Exploration Permit have expired and the Company has applied to the Malian Ministry of Mines for the grant of a new consolidated exploration permit that covers an area of 99.8 km^2. Discussions with the Malian authorities are ongoing. Only the Fougadian South and Manankoulou permits are eligible for renewal without special dispensation.

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 AIF.

Current Underground Mining Operations

Operations at the small, Soviet-era, underground mine at Kalana were cash flow positive for the nine-month period ended September 30, 2015. In the first half of 2015, the mine was cash flow positive, but was negative for the quarter ended September 30, 2015. These results are significantly better than the comparative periods of 2014. 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.

The Company intends to sustain operations for as long as economically feasible, without incurring any significant capital expenditures, until such a time as the DFS is completed and assessed to enable the Company to evaluate development options for a new open-pit mining operation at Kalana Main.

Accordingly, the Company expects to continue processing approximately 4,000 tonnes of material per month from a mix of underground production and surface stockpiles at an average grade of 6.1 g/t Au with a budgeted recovery of 80% until June 2016. Following the depletion of underground material, the Company plans to process surface stockpiles with an average grade of 6 g/t until the end of 2016. The Company's 2015 gold production forecast is 9,300 ounces (up from an initial forecast of 8,100 ounces and an increase from prior guidance of 9,200 ounces). The Company's gold production outlook for 2016 is 7,800 ounces.

Although operations at Kalana continue to benefit from an ongoing weakness in local currencies relative to the US dollar, the Company does not expect the underground mine to be profitable under the prevailing gold price environment. The Company continues to sustain operations to partially offset the cost of providing underground access to facilitate due diligence activities necessary to secure mine development financing. The continued operation of the mine also helps to maintain socio-economic stability in the local community as the workforce transitions to activities related to the construction and operation of the new mine.

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 September 30		**Nine Months Ended September 30**	
	2015	**2014**	**2015**	**2014**
Total revenue	2,280	2,709	8,746	8,302
Total expenses	3,953	4,561	12,034	14,285
Other income/(expenses)	2,488	(1,227)	1,707	(1,365)
Net profit/(loss)	825	(3,079)	(1,581)	(7,348)
Net profit/(loss) from continuing operations attributable to parent	1,352	(2,304)	(422)	(5,560)
Net profit/(loss) per share attributable to parent	$0.004	($0.009)	($0.001)	($0.026)
Weighted average shares outstanding	304,330,124	246,538,072	284,372,981	210,209,219

Balance Sheet	Sept 30, 2015	Sept 30, 2014	Dec 31, 2014
Working capital surplus	10,953	11,219	9,817
Total assets	30,166	27,883	25,930
Total non-current liabilities	8,316	6,374	8,593
Shareholders' equity	34,149	31,915	28,072

Results of Operations

Total revenue increased to $8,746,000 in the nine months to September 30, 2015, from $8,302,000 in the nine months to September 30, 2014. The increase in revenue is a result of a 15% increase in ounces sold from 6,399 ounces in the nine months to September 30, 2014 to 7,376 ounces in the nine months to September 30, 2015. The increase in revenue was partly offset by a 9% decrease in the realised average sales price of gold from $1,294 per ounce in the nine months to September 30, 2014, to $1,183 per ounce in the nine months to September 30, 2015.

Total expenses reduced by 16% from $14,285,000 in the nine months to September 30, 2014 to $12,034,000 in the nine months to September 30, 2015. The reduction in expenses is attributed to the strengthening of the US dollar relative to the West African CFA 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 nine months to September 2015, compared to $392,000 in the nine months to September 2014. Operating costs per ounce of gold sold for the nine months to September 30, 2015 reduced from $1,526 per ounce to $1,092 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 $1,581,000 ($0.001 attributable loss per share) for the nine months ended September 30, 2015, compared to a net loss of $7,348,000 ($0.026 attributable loss per share) in the nine months to September 30, 2014. Included in the nine months to September 30, 2015 is a profit on the fair value of derivative financial instruments of $1,897,000, compared to a loss of $719,000 in the nine months of 2014, arising from a change in the fair value of warrants outstanding. The fair value accounting gains and losses reported have no cash effect on the Company.

As compared to the condensed interim consolidated statement of financial position as at December 31, 2014, Avnel's cash and cash equivalents as at September 30, 2015 increased by $1,466,000, from $7,709,000 to $9,175,000. The increase was the result of cash provided by a brokered "bought deal" financing in May 2015 of $8,925,000 that was partly offset by the cost of exploration and evaluation expenditures of $5,497,000. The Company had working capital of $10,953,000 as at September 30, 2015, compared to working capital of $9,817,000 as at December 31, 2014. Total assets increased from $25,930,000 as at December 31, 2014 to $30,166,000 at September 30, 2015.

Total non-current liabilities reduced from $8,593,000 as at December 31, 2014 to $8,316,000 at September 30, 2015, mainly due to the re-valuation of the warrants issued in May 2015 and the warrants issued in 2014. The fair value of these derivative financial instruments has no cash effect on the Company.

Total stockholders' equity increased to $34,149,000 as at September 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 Sept 30		Nine months ended Sept 30	
	2015	**2014**	**2015**	**2014**
Tonnes milled:	13,346	12,633	37,927	37,266
Average grade processed (g/t Au):	6.27	6.69	7.58	6.57
Recovery rate (%):	77.8	77.7	79.9	80.3
Gold production (ounces):	2,092	2,092	7,379	6,325
Cost per tonne milled ($/t):	200	247	212	261
Operating cost per ounce of gold sold ($/oz):	1,330	1,505	1,092	1,526
Operating cost per ounce of gold produced ($/oz):	1,273	1,494	1,089	1,540

Gold production of 7,379 ounces in the nine months to September 30, 2015 was 17% higher than the nine months to September 30, 2014. The increase in production is attributable to a 15% increase in average grade processed to 7.58 g/t Au in the nine months to September 2015, compared to 6.57 g/t Au in the nine months to September 2014. Average gold recovery of 79.9% in the nine months to September 2015 is in line with the budgeted rate of 80%, although lower than the 80.3% achieved in the comparative period of 2014.

Gold Sales

Gold sales data is as follows:

	Three months ended Sept 30		Nine months ended Sept 30	
	2015	**2014**	**2015**	**2014**
Ounces sold	2,043	2,112	7,376	6,399
Average realized gold price ($/oz)	1,114	1,279	1,183	1,294

Metal revenue - $000

	Three months ended Sept 30		Nine months ended Sept 30	
	2015	**2014**	**2015**	**2014**
Total gold sales	2,275	2,703	8,728	8,283
Silver sales	5	6	18	19
Metal revenue	2,280	2,709	8,746	8,302

Gold spot prices commenced in 2015 at $1,172 per ounce and ended at September 30, 2015 at $1,114 per ounce, with the London PM Fix averaging $1,178 per ounce during the nine months to September 2015.

Condensed Interim Consolidated Statement of Operations for the Quarters Ended

Quarter ended (US$'000 except per share amounts)	**Sept 30 2015**	**June 30 2015**	**Mar 31 2015**	**Dec 31 2014**	**Sept 30 2014**	**June 30 2014**	**Mar 31 2014**	**Dec 31 2013**
Total revenue	2,280	3,379	3,087	3,722	2,709	2,809	2,784	2,763
Net profit (loss) from continuing operations	825	(2,273)	(133)	(2,948)	(3,079)	(2,100)	(2,169)	(1,710)
Net profit (loss) from continuing operations attributable to ordinary equity holders of the parent	1,352	(1,860)	86	(2,150)	(2,304)	(1,572)	(1,684)	(987)
Net profit (loss) per share from continuing operations attributable to ordinary equity holders of the parent	$0.004	($0.006)	$0.000	($0.008)	($0.009)	($0.008)	($0.009)	($0.005)

Third Quarter Results

Total revenue reduced to $2,280,000 in the quarter to September 30, 2015 from $2,709,000 in the quarter to September 30, 2014, which is attributed to an decrease in gold sales from 2,112 ounces in the quarter to September 30, 2014 to 2,043 ounces in the quarter to September 30, 2015 together with a reduction in the realised average sales price of gold from $1,279 per ounce in quarter to September 30, 2014 to $1,114 per ounce in quarter to September 30, 2015.

Total expenses reduced from $4,561,000 in the quarter to September 30, 2014 to $3,935,000 in the quarter to September 30, 2015. Operating costs per ounce of gold sold for the quarter to September 30, 2015 reduced from $1,505 per ounce to $1,330 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.

Avnel recorded a net profit of $825,000 ($0.004 attributable profit per share) for the quarter to September 30, 2015, compared to a net loss of $2,304,000 ($0.009 attributable loss per share) in the comparative period in 2014. Included in the quarter to September 30, 2015 is a profit on the fair value of derivative financial instruments of $2,576,000, compared to a loss of $719,000 in the quarter to September 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 reduced by $3,749,000 in the quarter to September 30, 2015 from $12,924,000 to $9,175,000, mainly arising from the cost of exploration and evaluation asset expenditures.

Liquidity, Capital Resources and Going Concern

These condensed interim 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 $13,264,000, including a cash balance of $9,175,000, as at September 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 are being 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 a brokered "bought deal" equity financing, which closed on May 7, 2015, by way of a short form prospectus, raising net proceeds of $9.0 million. The following table details how the net proceeds of the financing have been used up to September 30, 2015, compared to the anticipated use of the net proceeds set out in the short form prospectus:

Net Use of Proceeds US$, millions	**Prospectus**	**Actual to Sept 30, 2015**
Definitive Feasibility Study and Drilling	5.2	4.1
Exploration Programs	1.2	0.0
Corporate Costs and Working Capital	2.5	1.7
Total	8.9	5.8

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 September 30, 2015 was $16,902,000 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 September 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 had the following contractual obligations as at September 30, 2015:

Contractual Obligations - $000	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating Leases [1,2]	140	128	12	-	-
Total Contractual Obligations	140	128	12	-	-

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 Toronto Stock Exchange ("TSX"). Pursuant to these leases, which expire in September 2016, future minimum payments amount to $111,000 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 $29,000.

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 believes 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 that does not give rise to an obligation to pay. On July 16, 2014, the Company sent a letter disputing the

reassessment to the tax authorities and continues to seek resolution of this matter. No further communications have been received to date.

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 $274,000 in the nine months ended September 30, 2015, compared to $325,000 in the nine months to September 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 $112,000 in rental costs during the nine months ended September 30, 2015, compared to $120,000 in the nine months to September 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 $8,400 were charged in the nine months to September 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 September 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 and its neighbouring countries have instituted procedures to reduce the risk of the Ebola virus becoming an epidemic and outside international agencies continue to provide 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 US 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 US 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. The Company complies with all environmental obligations and the Government of Mali has absolved the Company of all environmental liabilities created prior to 2003.

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. The Company complies with all environmental obligations and the Government of Mali has absolved the Company of all environmental liabilities created prior to 2003.

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 condensed interim consolidated financial statements of the Company for the nine months ended September 30, 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 condensed interim consolidated financial statements.

The condensed interim 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. The report 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 US dollars at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities expressed in foreign currencies are re-converted into US 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 11, 2015, the Company had 304,330,124 issued and outstanding Common Shares. The following provides details on options or rights to purchase Common Shares of the Company as at November 11, 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 $0.275 per option to purchase one common share of Avnel, expiring on February 23, 2023; and

(b) 5,805,000 Employee Long Term Incentive Plan options issued between August 2005 and May 2015, which can be exercised at a price of between C$0.20 and C$0.60 per option to obtain one common share of Avnel, expiring between December 2016 and March 2023:

Date of Grant	Vesting Date	Expiration Date	Exercise Price ($C)	Number Outstanding
August 8, 2008	August 8, 2008	August 6, 2018	0.45	1,500,000
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	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
				5,135,000

Warrants and Compensation Options

The following table shows the number of warrants (and similar instruments) to purchase Common Shares of the Company as at November 11, 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. However, in the event that the ordinary shares trade on the TSX, 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 September 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 controls 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 November 12, 2015 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes as at and for the three- and nine-month periods ended September 30, 2015 that have 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 condensed interim 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 under 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 produced to arrive at "Cash Operating Cost per Ounce Produced" and are divided by the number of ounces sold to arrive at "Cash Operating Cost per Ounce Sold", after taking into account certain inventory movements. 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.

"On-site 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 of expected production to arrive at "On-site All-in Sustaining Cost per Ounce".

Forward-Looking Statements

This MD&A contains forward-looking statements that 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. 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 2015 Mineral Resource estimate (the "September 2015 MRE"), as defined in the Company's October 5, 2015 news release, and the March 2015 Mineral Resource estimate (the "March 2015 MRE"), as defined in the Company's most recent AIF, are summarised or extracted from reports prepared by Denny Jones Pty Ltd ("Denny Jones"). The September 2015 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 and the September 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.