

**AVNEL GOLD MINING LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD FROM APRIL 1, 2007 TO JUNE 30, 2007**

The following discussion and analysis (the "MD&A") for Avnel Gold Mining Limited ("Avnel" or "the Company") describes the operating and financial results of the Company for the period from April 1, 2007 to June 30, 2007.

This MD&A should be read in conjunction with the unaudited consolidated financial statements for the period ended June 30, 2007 and related notes thereto. The selected financial information and the discussion of results of operations were prepared in accordance with U.S. GAAP. Reference should be made to Note 6 of the consolidated financial statements of the Company for a reconciliation of Canadian and U.S. GAAP. All amounts in this discussion are expressed in U.S. dollars, unless identified otherwise.

This MD&A contains forward-looking statements that involve numerous risks and uncertainties and 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. 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.

Overall Performance

Avnel's principal assets are an 80% interest in Societe des Mines d'Or De Kalana ("SOMIKA") and a 90% interest in the Fougadian Exploration Permit through its subsidiary, Avnel Mali SARL. The state of Mali holds the remaining 20% interest in SOMIKA and 10% interest in the Fougadian Exploration Permit. SOMIKA is the owner of the Kalana Gold Mine located in the southwest of Mali and is the holder of an exploration permit in respect of 387.4 kilometers squared in south western Mali. Avnel's strategic objective, through SOMIKA, is to commercially exploit the reserves at the Kalana Gold Mine, and enhance the economics of the Kalana Gold Mine through underground exploration to increase mineral reserves and through surface exploration.

The mine was acquired by Avnel in late 2002 following which the existing plant and infrastructure were upgraded and mining operations were resumed by SOMIKA in January 2004 with commercial production commencing in March 2004. During the years 2004, 2005 and 2006 Avnel has been engaged on increasing gold production from 7,396 ounces in 2004, to 14,823 ounces in 2005 and to 22,638 ounces in 2006. Gold production for the first half of 2007 amounted to 14,764 ounces. At the same time, Avnel has invested significantly in capital expenditures and underground development required to expand production to a planned annual rate of 60,000 tonnes. The mine development was behind schedule in 2005 and 2006 and it is now planned that underground production will increase from 23,000 tonnes in 2006 to 32,000 tonnes in 2007 with the objective of developing the mine to attain its design throughput rate of 60,000 tonnes per annum on a sustainable basis.

Selected Interim Information

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

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Total Revenue.....	\$ 4,657	\$ 3,819	\$ 8,935	\$ 5,315
Total Expenses.....	4,017	3,664	7,367	6,278
Net Income (Loss).....	280	(16)	1,049	(1,310)
Income (Loss) per share	\$0.004	\$(0.0003)	\$0.02	\$(0.02)
Weighted average shares outstanding	63,749,457	55,923,396	60,374,931	55,920,189

Balance Sheet

	<u>June 30,</u>	<u>December</u>
	<u>2007</u>	<u>31, 2006</u>
Working Capital	\$ 3,380	\$ 623
Total Assets	30,147	25,821
Long Term Debt	11,821	11,821
Shareholders' Equity	14,489	10,024

Revenue has increased to \$4,657,000 in the second quarter of 2007 from \$3,819,000 in the same quarter of 2006. This is as a result of an increase in gold ounces sold from 6,950 ounces in the second quarter of 2006 to 7,994 ounces in the second quarter of 2007 and an increase in average sales price from \$548 per ounce to \$581 per ounce. In the year to date, revenue has increased to \$8,935,000 from \$5,315,000 in the corresponding period last year. This is as a result of an increase in gold ounces sold from 10,430 ounces in the first half of 2006 to 15,460 ounces in the first half of 2007 and an increase in average sales price from \$508 per ounce to \$576 per ounce.

The Company recorded net income of \$280,000 (\$0.04 per share) for the three months ended June 30, 2007 compared to a net loss of \$16,000 (\$0.0003 per share) in the second quarter of 2006. Avnel recorded net income of \$1,049,000 (\$0.02 per share) for the six months ended June 30, 2007 compared to a net loss of \$1,310,000 (\$0.02 per share) in the first half of 2006. The improvement compared to last year is mainly due to the increase in revenue of 68% whilst total expenses have only increased by 17%. Gold production has increased by 30% for the first half of 2007 compared to the same period in 2006.

As compared to the balance sheet as at December 31, 2006, Avnel's cash and cash equivalents as at June 30, 2007 increased by \$2,525,000. This was almost all attributable to cash raised from a rights issue net of costs of \$2,863,000.

Working capital increased to \$3,380,000 at June 30, 2007 from \$623,000 as at December 31, 2006. This was largely as the result of the increase in cash and cash equivalents due to receiving cash in the rights issue.

Total assets increased from \$25,821,000 as at December 31, 2006 to \$30,147,000 at the end of the second quarter. The largest contributing factor is the increase in cash and cash equivalents described above. There is also an increase in the value of fixed assets of \$1,741,000 due to capital expenditure incurred in the year to date.

Long term debt of \$11,821,000 at December 31, 2006 remained the same at June 30, 2007. Shareholders' equity increased to \$14,489,000 at June 30, 2007 from \$10,024,000 at the end of 2006. This was largely attributable to the increase in common stock as a result of the rights issue. The other significant factor was that the retained deficit decreased by \$1,049,000 in the year to date.

Results of Operations

Mining Operations

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

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Tonnes milled:				
Underground ore	8,694	5,799	15,947	11,934
Coarse sand reclaimed	-	1,385	-	1,444
Total	8,694	7,184	15,947	13,378
Gold grade - grams per tonne (g/t):				
Underground ore	24.3	39.9	31.1	32.4
Coarse sand reclaimed	-	6.1	-	6.0
Total	24.3	33.4	31.1	29.5
Recovery rate - %	90.3	90.0	92.6	89.4
Gold production – ounces	6,144	6,951	14,764	11,363
Cost per tonne milled	\$292	\$327	\$289	\$308
Operating cost per ounce of gold sold	\$344	\$336	\$318	\$366
Operating cost per ounce of gold produced	\$413	\$338	\$313	\$362

Gold production of 6,144 ounces in the second quarter of 2007 was in line with plan and 12% lower than the production in the second quarter of 2006. The higher gold production than plan was due to higher mill throughput (23%), lower grade (20%) and higher gold recovery of 90.3% (plan 88.7%).

Tonnes milled in the second quarter of 2007 were 21% above the production achieved in the corresponding period of 2006 and 23% above the planned production for the second quarter. 1,385 tonnes of coarse sand was included in the mill production in the second quarter of 2006. Underground ore increased from 5,799 tonnes in the second quarter of 2006 to 8,694 tonnes in the same period of 2007. Production from stoping on vein 1 was ahead of plan as productivity improved with up dip mining from the 160 level.

The gold grade of ore milled in the second quarter of 2007 was 17% lower than the corresponding period of 2006 and was 21% lower than the plan. Mining has commenced in lower mineral reserve grade blocks (19g/t) during the quarter and this has resulted in a decrease in grade to mill. Mining of these lower grade mineral reserve blocks has started ahead of plan as the overall ore production is 23% ahead of schedule. Gold recovery (90.3%) in the plant was similar to the corresponding period in 2006 but exceeded the plan (87.6%). Gold recovery decreased from the first quarter of 2007 due to a lower head grade.

Development advanced 419 metres in the second quarter of 2007 compared to the planned 528 metres. Development on 150 and 180 level was delayed during the installation and commissioning of the new rock winding arrangements at No 2 shaft.

The new skip with a 2.5 tonne pay load was installed in No 2 Shaft and the rock loading/tipping arrangements commissioned. A man cage with an 8 man capacity was also commissioned. There is one winder at No 2 Shaft and it is used for both rock and man hoisting.

Development of the No 1 water storage dam was completed during the second quarter of 2007. Four 160Kw pumps, electric switchgear and pipes were installed during the second quarter and the 180 level pump station will be commissioned in July 2007. The complete pump station facility is planned to be commissioned at the end of the third quarter of 2007. Two additional 160kw pumps will be installed. The No 2 water storage dam excavation will be mined during the third quarter to provide additional water storage capacity.

Development of the 150 level haulage north to vein 18 advanced 110 metres in the second quarter, after the rock pass had been commissioned. The haulage must advance approximately 180 metres to intersect vein 18. The haulage is planned to be completed in the third quarter of 2007. Prior to intersecting vein 18 an emergency water door will be installed on 150 level.

Development of the 180 level main station and haulage south advanced 120 metres in the second quarter. A waste rock pass was mined between 180 and 150 level during the quarter. This now enables both ore and waste to be mined on 150 level and be transported separately to No 2 shaft. Ore is expected to be mined on 150 level from September 2007.

On 100 level, development advanced 110 metres to provide sites for the diamond drill program planned in quarter three. The diamond drill holes will be directed down to intersect vein 18 and provide detailed information for mine planning.

Gold production of 14,764 ounces in the first half of 2007 was 22% above plan and 30% higher than the production in the first half of 2006. The higher gold production than the first half of 2006 was due to higher mill throughput (19%), higher grade (5%) and higher gold recovery of 92.6% compared to 89.4%.

Tonnes milled in the first half of 2007 were 19% above the production achieved in the corresponding period of 2006 and 26% above the planned production for the first half of 2007. Underground ore production for the first half of 2007 was 15,947 tonnes compared to 11,934 tonnes for the corresponding period in 2006. Production from stoping on vein 1 was ahead of plan as productivity improved with up dip mining from the 160 level and ore development on 160 level was ahead of schedule.

The gold grade of ore milled in the first half of 2007 was 5% higher than the corresponding period of 2006. The gold grade was 7% lower than the plan. Mining has commenced in lower mineral reserve grade blocks (19g/t) during the second quarter and this has resulted in a decrease in grade to mill. Mining of these lower grade mineral reserve blocks has started ahead of plan as the overall ore production is 26% ahead of schedule. Gold recovery (92.6%) in the plant was higher than in the corresponding period in 2006 (89.4%) and exceeded the plan (87.6%). Gold recovery decreased from the first quarter of 2007 due to a lower head grade in the second quarter.

Development for the first half of the year advanced 954 metres compared to the plan of 973 metres.

Mine operating costs for the three months ended June 30, 2007 amounted to \$2,887,000 compared with \$2,449,000 in the second quarter of 2006, an 18% increase. One of the key factors driving the increase in costs is that underground tonnes mined has increased by 50% compared to the second quarter of 2006. The CFA Franc has appreciated 7% against the dollar since the second quarter of 2006. This has caused the CFA Franc denominated costs incurred in Mali to become comparatively more expensive in U.S. dollar terms.

Mine operating costs for the period to June 30, 2007 of \$5,189,000 are 31% greater than for the same period of 2006. This is largely as a result in the increase in underground tonnes mined of 34%.

Cash operating costs of \$292 per tonne milled in the second quarter of 2007 and \$289 per tonne milled in the year to date were 11% and 6% lower respectively than the cost per tonne milled in the corresponding periods of 2006. Cash operating costs per ounce sold of \$344 per ounce of gold sold in the second quarter of 2007 was only slightly changed from the same period of 2006. Cash operating costs per ounce sold in the year to June 30, 2007 of \$318 per ounce are 13% lower than in the same period of 2006. Cash operating costs per ounce produced increased from \$338 in the second quarter of 2006 to \$413 in the corresponding period in 2007 largely as a result of the decreased gold production in the quarter compared to last year. Cash operating costs per ounce produced for the year to June 30, 2007 were \$313.

Gold Sales

Gold sales data is as follows:

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Gold ounces sold				
- at spot price	4,934	3,800	9,500	4,100
- under forward contracts	3,060	3,150	5,960	6,330
- total	7,994	6,950	15,460	10,430
Average realized gold price per ounce				
- at spot price	\$666.61	\$656.02	\$661.30	\$648.15
- under forward contracts	\$442.93	\$417.85	\$440.86	\$417.17
- total	\$580.99	\$548.07	\$576.32	\$507.97
Metal revenue - \$000				
Gold sales if all sales were at spot prices	\$5,316	\$4,506	\$10,220	\$6,480
Net effect of forward sales	(671)	(697)	(1,309)	(1,182)
Total gold sales	4,645	3,809	8,911	5,298
Silver sales	12	10	24	17
Metal revenue	4,657	\$3,819	8,935	\$5,315

Gold prices remained at a high level compared to years prior to 2006. Gold spot prices commenced 2007 at \$640 per ounce and reached a high of \$691 per ounce in the first half of 2007 with the London PM Fix averaging \$658 per ounce.

Exploration

Avnel completed the first phase of exploration on the Fougadian Exploration Permit. A total of 8,241 soil samples (including 468 controls) were collected along E-W oriented lines spaced 200 meters apart (N-S), with a sample

spacing of 50 meters in an E-W direction. All samples were analysed for gold (fire assay) and for a 35 multi-element suite (ICP-AES) that includes arsenic, copper and potassium. Parallel to the sampling programme, three other studies have been initiated: an inventory of the orpillage sites present within the permit (26 orpillage sites have been inventoried in the Fougadian Permit totalling approximately 12,400 pits, and six sites among them contain more than 1,000 pits); a regolith study; and an interpretation of the SYSMIN airborne geophysical survey.

The results of the survey have outlined several km-scale, gold-in-soil anomalies and coincident arsenic anomalies. The numerous significant gold and arsenic anomalous clusters that have been delineated were grouped into 14 anomalies (Avnel-1 to Avnel-14). It was observed that these 14 gold anomalies fall along three major mineralised corridors. Two of these corridors are sub-parallel, strike approximately N-S and can be traced nearly continuously through the length of the property. The third corridor strikes NNE-SSW and passes through the south-eastern and north-eastern quadrants of the licence.

Avnel is now preparing a phase two exploration program that will include a RC drill program and possibly diamond drilling in the 2008 field season.

Other Expenses

Administrative costs amounted to \$482,000 for the three months ended June 30, 2007. This was virtually unchanged from the \$492,000 recorded in the corresponding period of 2006. In the year to date, administrative costs were \$1,038,000, virtually unchanged from the costs in the same period of last year of \$1,044,000.

Depreciation, depletion and reclamation expenses amounted to \$445,000 in the second quarter of 2007 compared to \$461,000 in 2006 and \$869,000 in the first half of 2007 compared to \$751,000 in the first half of 2006.

Interest expense was \$191,000 for the quarter ended June 30, 2007 compared to \$184,000 in 2006. There has been an increase in the interest on the convertible loan notes due to the increase in the LIBOR U.S. dollar 6 month rate that is used to calculate the interest on the convertible loan notes. The interest on cash deposits earned by the Company has increased compared to the corresponding period of last year due to the increased cash balance and interest rate. Interest expense for the first of 2007 was \$400,000 compared \$364,000 in the same period of last year. The reasons for the increase are the same as for the increase in interest expense for the second quarter.

Summary of Quarterly Results

Quarter ended	Jun 30 <u>2007</u>	Mar 31 <u>2007</u>	Dec 31 <u>2006</u>	Sep 30 <u>2006</u>	Jun 30 <u>2006</u>	Mar 31 <u>2006</u>	Dec 31 <u>2005</u>	Sep 30 <u>2005</u>
Revenue	\$ 4,657	\$ 4,278	\$ 2,957	\$ 3,600	\$ 3,819	\$ 1,496	\$ 1,615	\$ 1,440
Net income (loss)	\$ 280	\$ 769	\$(1,443)	\$ 78	\$ (16)	\$(1,294)	\$(1,705)	\$(1,500)
Income (loss) per share	\$ 0.004	\$ 0.01	\$ (0.03)	\$ 0.001	\$(0.0003)	\$ (0.02)	\$ (0.03)	\$ (0.03)

In general, the Company's revenue is showing an upward trend since commencement of operations in 2004 as production is developed towards full capacity. This is most notable for the last three quarters of 2006 and the first half of 2007 and is a result of increased production and average sales price. There was a decrease in revenue in the fourth quarter of 2006 compared to the second and third quarters of 2006 as a result of lower gold sales and production.

Net loss decreased significantly in 2006 compared to 2005. The main differences were seen in the second and third quarters where results of net income of \$78,000 and net loss of \$16,000 respectively in 2006 compared with net losses of \$1,500,000 and \$2,324,000 for the same periods in 2005. Whilst costs increased by 18% in 2006, revenue increased by 108%. There was a high net loss in the fourth quarter of 2006 compared to other recent quarters. This was as a result of a number of factors. There was a decrease in revenue without any corresponding decrease in the

operating costs when compared to the second and third quarters of 2006. An additional provision was made in the fourth quarter for taxes payable. The first and second quarters of 2007 have shown a marked improvement in terms of net income (loss). This is mainly as a result of the increased production and sales in the quarters leading to higher revenue than previous quarters.

Liquidity and Capital Resources

As of June 30, 2007, Avnel had cash of \$3,745,000 and working capital of \$3,380,000 compared with \$1,220,000 and \$623,000 respectively at December 31, 2006. The increase for both cash and working capital can be largely attributed to the \$2,863,000 raised net of costs from a rights issue during March 2007. In the six months ended June 30, 2007, operating activities provided cash of \$2,273,000. Avnel expended \$2,611,000 on mine development and capital additions, most of which was spent on completing No 2 Shaft and the related infrastructure, construction of a new tailings facility, as well as some expenditure on mine equipment such as winches and pumps. Metal inventory at June 30, 2007 consisted of 1,306 ounces of gold with a carrying cost of \$567,000 and a market value of \$850,000.

Long term debt of the Company consists mainly of convertible loans provided by Elliott International L.P. and Elliott Associates L.P. (collectively "Elliott") and the Fern Trust, the two major shareholders of Avnel. At June 30, 2007, the aggregate principal of the loans amount to \$10,941,000. Each convertible loan note is convertible by the holder into common shares of the Company at Cdn\$0.898299 per share and bears interest at the six month U.S. LIBOR plus 2% payable bi-annually. The Company may elect to pay the interest in common shares in lieu of cash and may, upon maturity, elect to repay the outstanding principal amount in common shares at Cdn\$0.898299 per share if the 40-day weighted average trading price of the common shares prior to the conversion date is equal to or greater than \$1.20. The convertible loan notes mature on June 30, 2010.

During the period, the Company issued 542,659 common shares in settlement of the \$429,016 interest accrued to January 2, 2007 on its convertible loan notes.

Avnel has term loans provided by Elliott and Fern Trust with an aggregate principal of \$880,000 repayable on December 31, 2008. Interest on the loans of 8% per annum is payable bi-annually.

Contractual Obligations

The Company has the following contractual obligations at June 30, 2007:

Contractual Obligations - \$000	Total	Less than			After 5 years
		1 year	1-3 years	4-5 years	
Long Term Debt (1)	11,821	-	11,821	-	-
Operating Leases (2)	333	166	167	-	-
Total Contractual Obligations	\$12,154	\$166	\$11,988	\$ -	\$ -

Notes:

(1) The long term debt of Avnel consists entirely of shareholder loans provided by Elliott and the Fern Trust, the two major shareholders of Avnel. At June 30, 2007 long term debt comprised of convertible loan notes of \$10,940,992 and a term loan of \$879,673.

(2) Avnel's operating lease obligations consist of payments due under rental agreements in respect of its offices in London and Bamako.

Related Party Transactions

Kalana Mine Services Limited ("Kalana Mine Services"), a London based, wholly-owned subsidiary of Avnel, provides purchasing, facilitation, and expediting services and technical assistance to SOMIKA at cost plus a fee of 7.5%. During the six months ended June 30, 2007, \$219,000 of such expenses and fees were charged to SOMIKA by Kalana Mine Services.

SOMIKA purchases explosives from African Explosives Limited ("AEL"). Mr. Ibrahim Kantao, a director of the Company and SOMIKA, is also the Director-General of AEL Mali SARL. Such purchases amounted to \$229,000 in the period ended June 30, 2007.

Avnel Cayman entered into forward sales agreements on March 18, 2004 in respect of 31,700 ounces for the period through to December 2006 at an average price of \$414.27 per ounce with Elliott, a major shareholder. The facility is

margin-free up to \$2.5 million. During 2005, a number of the forward sales were rolled forward with the result that the contract was extended to July 2007. As at June 30, 2007 the Company had sold forward 900 ounces of gold at an average price of \$447 per ounce. As at the date of this MD&A, all forward sales have been delivered. Based on the spot price of \$651 per ounce, the mark-to-market value of the Company's gold forward sales agreements was negative \$186,000.

The Company has entered into operating leases for office space and equipment with a company associated with the Fern Trust, a significant shareholder. The Company incurred \$71,000 in rental costs during the period ended June 30, 2007.

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 heading "Risk Factors" in the Prospectus dated May 27, 2005 and the Annual Information Form dated March 30, 2007.

The Company faces risks associated with underground mining such as rock conditions, water, geological faults, variable vein widths, dilution and power supply. 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 the transport systems to deliver equipment and materials which are purchased in South Africa or Europe. There is a risk that such equipment and materials may not always be available on site when required.

The Company faces risk in respect of its exposure to gold prices. Avnel has sold forward 900 ounces of its forecast gold production through to July 2007 at an average gold price of \$447 per ounce. All other sales are exposed to changes in the gold spot price.

All gold revenues and a portion of operating costs are in U.S. dollars. The Company has not hedged its foreign exchange risk relating to its non-U.S. dollar expenses.

The Company will require ongoing financing to fund its planned operation and exploration programs. No assurance can be given that such financing can be raised on commercially acceptable terms.

Avnel maintains insurance against risks that are typical in the gold mining industry. Although the Company maintains insurance in amounts that it believes to be adequate, the insurance coverage maintained may not be adequate in the event of unforeseen circumstances. Avnel does not maintain political risk insurance.

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.

Critical Accounting Estimates

The consolidated financial statements of the Company have been prepared in accordance with U.S. GAAP. 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. The critical accounting estimates are disclosed in the Managements Discussion and Analysis for the year ended December 31, 2006 dated March 30, 2007 which is available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Financial Instruments

As at June 30, 2007, the Company had sold forward 900 ounces of gold at an average price of \$447 per ounce. The Company believes that these forward sales qualify as normal sales contracts under SFAS 133 and will record the

revenues when the gold sold forward is delivered and proceeds are received. The facility is margin-free, up to a maximum exposure of \$2.5 million.

The estimated fair values of the Company's other financial instruments approximate carrying values at June 30 2007. The Company has no other financial instruments or long-term commitments outstanding.

Disclosure of Outstanding Share Data

As at June 30, 2007, the Company had issued 63,749,457 common shares.

The following table shows the number of options or rights to purchase common shares of the Company as at June 30 2007 and prior to the rights issue which was completed during March 2007.

Type of warrant/option	Maturity Date	Common Shares Issuable	
		Pre-rights issue	As at June 30 2007
Warrants issued through the IPO on June 30, 2005	June 30, 2010	6,196,801	6,518,713
Warrants issued through the Private Placement on November 29, 2005	November 29, 2007	7,936,000	8,392,748
Agents' warrants related to the IPO	June 30, 2007	419,499	Expired
Broker's warrants related to the private placement	May 29, 2007	1,117,200	Expired
Convertible Loan Notes	June 30, 2010	13,433,235	12,951,869
Minority shareholder warrants	December 31, 2009	1,485,400	1,438,556
CEO Compensation Options	February 22, 2015	2,500,000	2,500,000
Long Term Incentive Plan	August 2015 – May 2017	1,599,000	1,899,000
Total		34,687,135	33,700,886

The following table shows the exercise price of warrants and the convertible loan notes as at June 30, 2007 and prior to the rights issue which was completed during March 2007.

Type of warrant	Maturity Date	Exercise Price	
		Pre-rights issue	As at June 30, 2007
Warrants issued through the IPO on June 30, 2005	June 30, 2010	1.06	1.007654
Warrants issued through the Private Placement on November 29, 2005	November 29, 2007	1.30	1.229252
Agents' warrants related to the IPO	June 30, 2007	0.76	Expired
Broker's warrants related to the private placement	May 29, 2007	1.00	Expired
Convertible Loan Notes	June 30, 2010	0.95	0.898299
Minority shareholder warrants	December 31, 2009	0.275 (US\$)	0.260034 (US\$)

Outlook

For the period from July to December 2007, Avnel is planning gold production of approximately 9,000 ounces having milled approximately 19,000 tonnes of ore at an average grade of 17 g/t. The grade is planned to reduce as mining moves into lower grade ore reserve blocks in the second half of the year. The mine operation is planned to produce a positive cash margin of \$400,000 prior to capital expenditure and depreciation. Using an average gold price of \$650 per ounce for spot sales, management believes that approximately \$3,400,000 of the cash resources of the Company will be utilised to fund capital expenditures of \$2,100,000, mainly required to expand production to the planned 54,000 tonnes in 2008 and 60,000 tonnes in 2009, \$100,000 for exploration and corporate expenses of \$1,200,000. The Company is forecast to have \$700,000 cash at year end and it will require additional financing to meet its development and exploration strategy going forward in 2008.

Additional Information and Continuous Disclosure

This MD&A has been prepared as of August 13, 2007. Additional information is available in the historical consolidated financial statements of Avnel and the related notes thereto, the Annual Information Form dated March 30, 2007, and through regular filings of press releases, which are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.