AVNEL GOLD MINING LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD FROM JULY 1, 2007 TO SEPTEMBER 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 July 1, 2007 to September 30, 2007.

This MD&A should be read in conjunction with the unaudited consolidated financial statements for the period ended September 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 nine months of 2007 amounted to 20,006 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 35,000 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.

Gold production decreased in the third quarter compared to the first two quarters of 2007. This decrease was in line with the mine plan as mining of lower grade reserve blocks commenced. The mine grade is expected to be in the range of 14g/t to15g/t over the next 12 months before rising to over 20g/t. Development of a new vein, No 18, will commence in the fourth quarter of 2007. The mine plan shows vein 18 with a grade of 15g/t as the main source of ore during 2008. During the first half of 2008, mine development will expose other ore reserve blocks allowing ore production to increase to 5,000 tonnes per month. The company anticipates the mine will generate an operating margin to cover capital expenditures. Funding of exploration programs and corporate expenses will be required and the company is evaluating alternatives as part of a strategic review.

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

	Three months ended September 30		Nine months ended September 30	
	2007	**2006**	**2007**	**2006**
Total Revenue	$ 3,487	$ 3,600	$ 12,422	$ 8,915
Total Expenses	4,131	3,611	11,498	9,889
Net Income (Loss)	(1,320)	78	(271)	(1,232)
Income (Loss) per share	$(0.02)	$0.001	$(0.004)	$(0.02)
Weighted average shares outstanding	64,346,407	56,123,528	61,713,304	55,920,189

Balance Sheet	September 30, 2007	December 31, 2006
Working Capital	$ 1,746	$ 623
Total Assets	29,722	25,821
Long Term Debt	11,821	11,821
Shareholders' Equity	13,596	10,024

Revenue has decreased to $3,487,000 in the third quarter of 2007 from $3,600,000 in the same quarter of 2006. This is as a result of a decrease in gold ounces sold from 6,821 ounces in the third quarter of 2006 to 5,344 ounces in the third quarter of 2007 although there was an increase in average sales price from $526 per ounce to $651 per ounce. Revenue in the third quarter is lower than that recorded in the first and second quarters of $4,278,000 and $4,657,000 respectively as a result of the lower gold ounces sold in the quarter of 5,344 ounces compared to 7,466 ounces and 7,994 ounces recorded in the first and second quarters respectively. In the year to date, revenue has increased to $12,422,000 from $8,915,000 in the corresponding period last year. This is as a result of an increase in gold ounces sold from 17,251 ounces in the first three quarters of 2006 to 20,804 ounces in the first three quarters of 2007 and an increase in average sales price from $515 per ounce to $595 per ounce.

The Company recorded a net loss of $1,320,000 ($0.02 per share) for the three months ended September 30, 2007 compared to net income of $78,000 ($0.001 per share) in the third quarter of 2006. Avnel's net loss position in the third quarter has deteriorated from the first and second quarters where net income of $769,000 ($0.01 per share) and $280,000 ($0.004 per share) were recorded respectively. This was mainly as a result of a decrease in revenue in the quarter explained in the Overall Performance section. Avnel recorded a net loss of $271,000 ($0.004 per share) for the nine months ended September 30, 2007 compared to a net loss of $1,232,000 ($0.02 per share) in the first three quarters of 2006. The improvement compared to last year is mainly due to the increase in revenue of 39% whilst total expenses have only increased by 16%. Gold production has increased by 14% for the first nine months 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 September 30, 2007 increased by $800,000. This company raised cash of $2,847,000 from a rights issue and has utilised cash of $2,147,000 in operations including expenditure of $3,803,000 on capital.

Working capital increased to $1,746,000 at September 30, 2007 from $623,000 as at December 31, 2006. This was largely as the result of the increase in cash and cash equivalents as explained in the paragraph above and an increase in warehouse stocks.

Total assets increased from $25,821,000 as at December 31, 2006 to $29,722,000 at the end of the third quarter. The largest contributing factor is the increase in net property, plant and equipment of $2,498,000 due mainly to the large amount of capital expenditure on No. 2 shaft and development of the 150 and 180 levels. There is also an increase in cash and cash equivalents as described above.

Long term debt of $11,821,000 at December 31, 2006 remained the same at September 30, 2007. Shareholders' equity increased to $13,596,000 at September 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.

Results of Operations

Mining Operations

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

	Three months ended September 30		Nine months ended September 30	
	2007	**2006**	**2007**	**2006**
Tonnes milled:				
Underground ore	8,458	6,594	24,405	18,528
Coarse sand reclaimed	-	1,512	-	2,956
Total	8,458	8,106	24,405	21,484
Gold grade - grams per tonne (g/t):				
Underground ore	20.9	31.5	27.6	32.1
Coarse sand reclaimed	-	5.7	-	5.9
Total	20.9	26.7	27.6	28.5
Recovery rate - %	92.2	89.3	92.4	89.4
Gold production – ounces	5,242	6,205	20,006	17,568
Cost per tonne milled	$295	$300	$291	$305
Operating cost per ounce of gold sold	$480	$380	$360	$371
Operating cost per ounce of gold produced	$476	$392	$355	$373

Gold production of 5,242 ounces in the third quarter of 2007 was marginally ahead of plan and 16% lower than the production in the third quarter of 2006. The higher gold production than plan was due to higher mill throughput (11%), lower grade (13%) and higher gold recovery of 90.9% (plan 87.8%).

Tonnes milled in the third quarter of 2007 were 4% above the production achieved in the corresponding period of 2006 and 11% above the planned production for the third quarter. 1,512 tonnes of coarse sand was included in the mill production in the third quarter of 2006. Underground ore increased from 6,594 tonnes in the third quarter of 2006 to 8,458 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 third quarter of 2007 was 22% lower than the corresponding period of 2006 and was 13% lower than the plan. Mining has commenced in lower grade mineral reserve blocks (19g/t) during the quarter and this has resulted in a decrease in grade to mill. Grades of 11.0g/t from new reserve block, vein 1 block VC2, were significantly lower than the reserve grade (19.0g/t) and lower than the higher grades mined in the previous quarter. The lower grades seem to be associated with a thin diorite intrusion in contact with the quartz vein. Gold recovery (92.2%) in the plant was higher than the corresponding period in 2006 (89.3%) and exceeded the plan (87.8%). Gold recovery decreased from the first quarter of 2007 due to a lower head grade but is higher than the second quarter despite a reduction in head grade in the third quarter.

Development advanced 485 metres in the third quarter of 2007 compared to the planned 421 metres.

Four 160Kw pumps, electric switchgear and pipes were installed during the second quarter and the 180 level pump station was commissioned in July 2007. The complete pump station facility is planned to be commissioned at the end of the fourth quarter of 2007. Two additional 160kw pumps will be installed when they arrive at site in the fourth quarter. The No 2 water storage dam excavation advanced 92 metres and was completed during the third quarter to provide additional water storage capacity.

Development of the 150 level haulage north to vein 18 advanced 170 metres in the third quarter. Vein 18 was intersected at the end of the third quarter. During the fourth quarter, two ore raises will be mined from 150 level to 100 level. Prior to intersecting vein 18, an emergency water door was installed on 150 level. Development of the 150 level access crosscut to Vein 1 advanced 51 metres during this quarter.

Development of the 180 level haulage south advanced 183 metres in the third quarter. During the fourth quarter, a ventilation raise will be mined from the 180 level to the 160 level, and fresh air will then downcast from No 1 Shaft through the No 1 Sub Incline shaft to 180 level.

Nine diamond drill holes were drilled from 100 level down to intersect vein 18 North between 100 and 150 levels in the western half of this mineral reserve block. The holes showed continuity of the vein already exposed on 100 level with reduced channel width. The vein appears to dip at 55 degrees. Core recovery was poor within the mineralised zones and the assay grades of these drill holes may underestimate the actual grade. Borehole assay grades were lower than the ore grades sampled in the stope and development on 100 and 120 level. The grades from the stope and development confirmed the modelled ore reserve grade of 15g/t for vein 18 between 100 and 150 levels. Development of ore raises from 150 to 100 level will be mined and sampled during the fourth quarter. The mineral reserves estimate vein 18 north in the western half is 31,000 tonnes at a grade of 15g/t. containing 15,000 ounces. This portion of the reserve is planned to be mined in 2008.

The ore resource model is based on the results of extensive surface drilling. The density of drill data is higher than would normally be expected for this type of vein deposit. The mine has produced over 300,000 tonnes of ore since mining commenced and the reconciliation of gold mined compared to gold estimated by the model has been very positive. In the period 1985-1991 the mine is estimated to have produced 30% more gold than was estimated in the mineral reserves. During the period 2005-2006 the mine is estimated to have produced 130% more gold than estimated in the mineral reserves for vein 1. This has provided confidence in the interpretation of the vein tonnage and grade.

The majority of the gold in the quartz veins is present as coarse, nuggety, free gold with the gold occurring as grains and small nuggets. Fine grained gold is also associated with sulphides in the quartz veins, as well as in the metasedimentary and diorite wall rocks immediately adjacent to the quartz veins. Over the last three years underground sampling has shown the nuggety, free gold nature of the vein with very high grades (+100g/t) being adjacent to lower grades (5g/t). One of the technical challenges to evaluate these veins is the limited sample recovered in a drill core. This is potentially influenced where less than 100% of the sample is recovered due to drill performance or fractured rock in the mineralised zones.

It is typical of these types of veins to have higher grade payshoots within the total mineral resource. These higher grade pay shoots are identified by diamond drilling and vein development. Underground development will sometimes traverse lower grade areas before entering the higher grade payshoots.

The mine development is now opening up new veins which have not previously been mined. Underground diamond drilling is being used to provide additional data for vein geometry, assay data and geology prior to actual ore development. The company has planned a 3,500m underground drill program in 2008. The twenty one drill holes are targeted to intersect veins 18, 19, 20 and 21 between the 150m and 280m level. The drill hole core will provide additional information on geology, mineralogy, vein thickness, and grade. The current mineral resource model shows a decrease in vein grade with depth. This may be a function of less data being available as fewer holes have been drilled to these depths. It is possible that this drill program will provide additional positive data that may enable lower grade mineral resources to be converted into mineral reserves.

Gold production of 20,006 ounces in the first nine months of 2007 was 22% above plan and 14% higher than the production in the first nine months of 2006. The higher gold production than the first nine months of 2006 was due to higher mill throughput (14%), lower grade (3%) and higher gold recovery of 92.2% compared to 89.4%.

Tonnes milled in the first nine months of 2007 were 14% above the production achieved in the corresponding period of 2006 and 20% above the planned production for the first nine months of 2007. Underground ore production for the first nine months of 2007 was 24,405 tonnes compared to 18,528 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. No production commenced from vein 18A South as the vein was not exposed on 160 level as anticipated. Development on 180 level south is planned to intersect veins 18 and 18A during 2008.

The gold grade of ore milled in the first nine months of 2007 was 14% lower than the corresponding period of 2006. The gold grade was 2% lower than the plan for the corresponding period. Mining has commenced in lower mineral reserve grade blocks (19g/t). 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 (92.4%) in the plant was higher than in the corresponding period in 2006 (89.4%) and exceeded the plan (88.7%).

Development for the first three quarters of the year advanced 1,438 metres compared to the plan of 1,399 metres.

Mine operating costs for the three months ended September 30, 2007 amounted to $2,669,000 compared with $2,700,000 in the third quarter of 2006. The costs in the third quarter of 2006 contained a provision for withholding tax of $350,000. If this is taken in to account, the increase in costs in 2007 can be largely explained by the 28% increase in underground tonnes mined in the third quarter of 2007 compared to the corresponding period of 2006. Another factor in the cost increase is that the CFA Franc has appreciated 8% against the U.S. dollar if the average exchange rate for the third quarter of 2007 is compared to the third 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 nine month period to September 30, 2007 of $7,858,000 are 18% greater than for the same period of 2006. The two largest factors in this increase is that there has been an increase in underground tonnes mined of 32% and an appreciation of the average CFA Franc rate for the period against the U.S. dollar of 8%.

Cash operating costs of $295 per tonne milled in the third quarter of 2007 and $291 per tonne milled in the nine months were 2% and 5% lower respectively than the cost per tonne milled in the corresponding periods of 2006. Cash operating costs per ounce sold of $480 in the third quarter of 2007 was 21% greater than for the same period of 2006. Cash operating costs per ounce sold in the year to September 30, 2007 of $360 per ounce are 3% lower than in the same period of 2006. Cash operating costs per ounce produced increased from $392 in the third quarter of 2006 to $476 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 September 30, 2007 was $355.

Gold Sales

Gold sales data is as follows:

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Gold ounces sold				
- at spot price	4,444	3,671	13,944	7,771
- under forward contracts	900	3,150	6,860	9,480
- total	5,344	6,821	20,804	17,251
Average realized gold price per ounce				
- at spot price	$692.31	$618.28	$671.18	$634.04
- under forward contracts	$446.55	$419.17	$441.60	$417.83
- total	$650.92	$526.34	$595.48	$515.23
Metal revenue - $000				
Gold sales if all sales were at spot prices	$3,675	$4,218	$13,895	$10,698
Net effect of forward sales	(197)	(628)	(1,507)	(1,810)
Total gold sales	3,478	3,590	12,388	8,888
Silver sales	9	10	34	27
Metal revenue	$3,487	$3,600	$12,422	$8,915

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 $743 per ounce at the end of September 2007 with the London PM Fix averaging $666 per ounce during the nine months to date. The Company's hedge sales ended in July 2007.

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 orpaillage sites present within the permit (26 orpaillage 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 soil sampling 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 has received two reports from The Mineral Corporation which can be viewed on the company website. The Mineral Corporation conducted a mapping and regolith study on the Fougadian Permit. The study indicated that a complete lateritic regolith is preserved in the western part of the permit. The regolith has been incised and eroded by streams flowing west to east, leaving some lateritic residuum on the intervening ridges.

The Mineral Corporation interpreted existing airborne magnetic and radiometric data generated through the SYSMIN program in 2001. The study suggested that coincident potassium and magnetic anomalies are potential targets for further gold exploration. The study identified two north striking corridors defined by co-incident potassium and magnetic anomalies.

Using the geophysical interpretation, regolith study and geochemical soil sampling, the bedrock geology was interpreted, given there is no bedrock outcrop. Present indications are that the stratigraphy probably strikes in a north-south direction.

Avnel is now preparing a phase two exploration program that will include a RC drill program The timing and funding for the next phase of exploration on the Fougadian Permit will be announced in due course.

Avnel has appointed Dr Andy Killick as Vice President Exploration (see press release dated October 15, 2007).

Other Expenses

Administrative costs amounted to $959,000 for the three months ended September 30, 2007 compared to $405,000 recorded in the corresponding period of 2006. The increase is largely due to expenditure related to the company's strategic review announced on September 17, 2007. In the year to date, administrative costs were $1,997,000 compared to costs in the same period of last year of $1,449,000.

Depreciation, depletion and reclamation expenses amounted to $434,000 in the third quarter of 2007 compared to $443,000 in 2006 and $1,303,000 in the first nine months of 2007 compared to $1,194,000 in the first nine months of 2006.

Interest expense was $202,000 for the quarter ended September 30, 2007 compared to $164,000 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 nine months of 2007 was $602,000 compared to $515,000 in the same period of last year. The reasons for the increase are the same as for the increase in interest expense for the third quarter.

The company has recorded an exchange loss of $475,000 in the third quarter and $591,000 in the year to date. This is largely because the CFA Franc has appreciated in value by 6% from the end of the second quarter of 2007 to the end of the third quarter of 2007 and by 7% from the end of 2006 to the end of the third quarter of 2007. This has led to a translation loss on converting SOMIKA's books from the CFA Franc to the U.S. dollar, its functional currency.

Summary of Quarterly Results

Quarter ended	Sep 30 2007	Jun 30 2007	Mar 31 2007	Dec 31 2006	Sep 30 2006	Jun 30 2006	Mar 31 2006	Dec 31 2005
Revenue	$ 3,487	$ 4,657	$ 4,278	$ 2,957	$ 3,600	$ 3,819	$ 1,496	$ 1,615
Net income (loss)	$(1,320)	$ 280	$ 769	$(1,443)	$ 78	$ (16)	$(1,294)	$(1,705)
Income (loss) per share	$ (0.02)	$ 0.004	$ 0.01	$ (0.03)	$ 0.001	$ (0.0003)	$ (0.02)	$ (0.03)

In general, the Company's revenue is largely 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. There has been a dip in revenue in the quarter to September 2007 due to lower gold 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. The third quarter of 2007 is again showing a large net loss as a result of lower gold sales, increased cost partly due to appreciation of the CFA Franc and increased administrative expense.

Liquidity and Capital Resources

As of September 30, 2007, Avnel had cash of $2,020,000 and working capital of $1,746,000 compared with $1,220,000 and $623,000 respectively at December 31, 2006. In the nine months ended September 30, 2007, operating activities provided cash of $1,756,000. Avnel expended $3,803,000 on mine development and capital additions, most of which was spent on completing No 2 Shaft and the related infrastructure, development of the 150 and 180 levels, construction of a new tailings facility, as well as some expenditure on mine equipment such as winches and pumps. Metal inventory at September 30, 2007 consisted of 1,199 ounces of gold with a carrying cost of $548,000 and a market value of $891,000.

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 September 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 on its convertible loan notes to January 2, 2007 and 617,072 common shares in settlement of the $407,655 interest accrued on its convertible loan notes to July 3, 2007.

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 September 30, 2007:

Contractual Obligations - $000	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long Term Debt (1)	11,821	-	11,821	-	-
Operating Leases (2)	124	114	10	-	-
Total Contractual Obligations	$11,945	$114	$11,831	$ -	$ -

Notes:

(1) The long term debt of Avnel consists of shareholder loans provided by Elliott and the Fern Trust, the two major shareholders of Avnel. At September 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 nine months ended September 30, 2007, $327,000 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 $325,000 in the period ended September 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 was 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. All forward sales had been delivered by July 31, 2007.

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 $104,000 in rental costs during the period ended September 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, gold grade, 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. All gold 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

The company completed its gold forward sales programme on July 31, 2007. The Company believes that the forward sales made under this programme qualify as normal sales contracts under SFAS 133 and recorded the revenues when the gold sold forward was delivered and proceeds were received.

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

Disclosure of Outstanding Share Data

As at September 30, 2007, the Company had issued 64,366,529 common shares.

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

		Common Shares Issuable	
Type of warrant/option	**Maturity Date**	**Pre-rights issue**	**As at September 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	12,134,613
Minority shareholder warrants	December 31, 2009	1,485,400	1,414,038
CEO Compensation Options	February 22, 2015	2,500,000	2,500,000
Long Term Incentive Plan	August 2015 – May 2017	1,599,000	1,849,000
Total		**34,687,135**	**32,809,112**

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

		Exercise Price	
Type of warrant	**Maturity Date**	**Pre-rights issue Cdn$**	**As at September 30, 2007 Cdn$**
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 October to December 2007, Avnel is planning gold production of approximately 4,000 ounces having milled approximately 9,600 tonnes of ore at an average grade of 15 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 utilise funds of $100,000 prior to capital expenditure and depreciation. Using an average gold price of $750 per ounce for spot sales, management believes that approximately $2,200,000 of the cash resources of the Company will be utilised to fund capital expenditures of $1,000,000, mainly required to expand production to the planned 54,000 tonnes in 2008 and 60,000 tonnes in 2009, $100,000 for exploration, $400,000 for working capital and corporate expenses of $700,000. The Company is forecast to have a negative cash position of $300,000 cash at year end. The Company will seek to put some short term financing in place to cover its negative cash position.

In 2008, the Company anticipates the mine will generate an operating margin to cover capital expenditures. Funding of exploration programs and corporate expenses will be required and the Company is evaluating alternatives as part of its strategic review announced in September 2007.

Additional Information and Continuous Disclosure

This MD&A has been prepared as of November 14, 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.