

Avnel Gold Mining Limited
 Unaudited Consolidated Balance Sheets
 September 30, 2007 and December 31, 2006
 Expressed in thousands of US Dollars

	September 30 <u>2007</u>	December 31 <u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 2,020	\$ 1,220
Inventories	2,945	2,516
Prepaid and other assets	263	89
Total current assets	<u>5,228</u>	<u>3,825</u>
Property, plant and equipment, at cost		
Mining properties and capitalized mine development costs	21,114	18,649
Other property and equipment	8,074	6,736
	<u>29,188</u>	<u>25,385</u>
Accumulated depreciation	4,694	3,389
Net property, plant and equipment	<u>24,494</u>	<u>21,996</u>
Total Assets	<u>\$ 29,722</u>	<u>\$ 25,821</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 1,297	\$ 1,162
Tax creditor	967	744
Other accrued liabilities	1,218	1,296
Total current liabilities	3,482	3,202
Notes payable - long term	11,821	11,821
Retirement and rehabilitation obligations	823	774
Total liabilities	<u>16,126</u>	<u>15,797</u>
Common stock:		
Authorised - unlimited number of ordinary shares of no par value Issued and outstanding 64,366,529 (December 31, 2006 56,123,528)	25,141	21,457
Additional paid in capital	4,677	4,491
Retained deficit	(16,199)	(15,928)
Accumulated other comprehensive income (loss)	(23)	4
Total stockholders' equity	<u>13,596</u>	<u>10,024</u>
Total Liabilities and Stockholders' Equity	<u>\$ 29,722</u>	<u>\$ 25,821</u>

The accompanying notes are an integral part of these consolidated financial statements

Avnel Gold Mining Limited
 Unaudited Consolidated Statement of Operations and Comprehensive Income
 For the Periods Ended September 30, 2007 and 2006
 Expressed in thousands of US Dollars
 (except share and per share information)

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
REVENUE				
Metal revenue	\$ 3,487	\$ 3,600	\$ 12,422	\$ 8,915
EXPENSES				
Operating	2,669	2,700	7,858	6,672
Depreciation	434	443	1,303	1,194
Exploration	69	63	340	574
Administration expense	959	405	1,997	1,449
Total expenses	4,131	3,611	11,498	9,889
Income (loss) from operations	(644)	(11)	924	(974)
Other income (expense)				
Interest expense	(202)	(164)	(602)	(515)
Exchange gain (loss)	(475)	254	(591)	262
Total other expense	(677)	90	(1,193)	(253)
Income (loss) before income tax	(1,321)	79	(269)	(1,227)
Income tax expense	1	(1)	(2)	(5)
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

The accompanying notes are an integral part of these consolidated financial statements

Avnel Gold Mining Limited
Unaudited Consolidated Statement of Cash Flows
For the Periods Ended September 30, 2007 and 2006
Expressed in thousands of US Dollars

	<u>Three months ended</u> <u>September 30</u>		<u>Nine months ended</u> <u>September 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:				
Net income (loss) from continuing operations	\$ (1,320)	\$ 78	\$ (271)	\$ (1,232)
Reconciled to net cash (used in) provided by operating activities				
Depreciation	434	443	1,303	1,194
Accretion and reclamation liability	16	9	49	27
Stock based compensation	58	106	186	409
Change in tax creditor	63	(35)	223	5
Changes in operating assets and liabilities				
Inventories	(604)	921	(454)	(904)
Prepaid and other assets	39	(13)	(174)	(142)
Accounts payable	412	183	135	(117)
Other accrued liabilities	385	262	759	533
Net cash (used in) provided by operating activities	<u>(517)</u>	<u>1,954</u>	<u>1,756</u>	<u>(227)</u>
Cash flows from investing activities:				
Purchases and development of Property, plant and equipment	<u>(1,192)</u>	<u>(2,023)</u>	<u>(3,803)</u>	<u>(3,177)</u>
Net cash used in investing activities	<u>(1,192)</u>	<u>(2,023)</u>	<u>(3,803)</u>	<u>(3,177)</u>
Cash flows from financing activities:				
Proceeds (expense) of issue of share capital	<u>(16)</u>	<u>-</u>	<u>2,847</u>	<u>1</u>
Net cash provided by financing activities	<u>(16)</u>	<u>-</u>	<u>2,847</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	(1,725)	(69)	800	(3,403)
Cash and cash equivalents at beginning of period	<u>3,745</u>	<u>2,086</u>	<u>1,220</u>	<u>5,420</u>
Cash and cash equivalents at end of period	<u>\$ 2,020</u>	<u>\$ 2,017</u>	<u>\$ 2,020</u>	<u>\$ 2,017</u>

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Avnel Gold Mining Limited
Unaudited Consolidated Statement of Changes in Stockholders' Equity
Expressed in thousands of US Dollars
(except share information)

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Accumulated</u>	<u>Other</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid in</u>	<u>Deficit</u>	<u>Comprehensive</u>	<u>Income</u>	<u>Stockholders'</u>
			<u>Capital</u>				<u>Equity (Deficit)</u>
At December 31, 2005	55,329,605	\$ 20,728	\$ 4,041	\$ (13,253)	\$	1	\$ 11,517
Issuance of common stock on exercise of stock options	1,000	1	(1)	-	-	-	-
Issuance of common stock in payment of interest	792,923	687	-	-	-	-	687
Stock based compensation	-	-	409	-	-	-	409
Comprehensive loss	-	-	-	(1,231)	-	(1)	(1,232)
At September 30, 2006	56,123,528	21,416	4,449	(14,484)	-	-	11,381
Stock based compensation	-	-	42	-	-	-	42
Issue costs	-	41	-	-	-	-	41
Net loss	-	-	-	(1,444)	-	-	(1,444)
Other comprehensive income							
Exchange gain	-	-	-	-	-	4	4
Comprehensive loss	-	-	-	-	-	-	(1,440)
At December 31, 2006	56,123,528	21,457	4,491	(15,928)	-	4	10,024
Issuance of common stock in payment of interest	1,159,731	837	-	-	-	-	837
Issuance of common stock for cash net of issue costs	7,083,270	2,847	-	-	-	-	2,847
Stock based compensation	-	-	186	-	-	-	186
Net loss	-	-	-	(271)	-	-	(271)
Other comprehensive loss							
Exchange loss	-	-	-	-	-	(27)	(27)
Comprehensive loss	-	-	-	-	-	-	(298)
At September 30, 2007	64,366,529	\$ 25,141	\$ 4,677	\$ 16,199	\$	(23)	\$13,596

The accompanying notes are an integral part of these consolidated financial statements

AVNEL GOLD MINING LIMITED
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2007

The management of Avnel Gold Mining Limited is responsible for the preparation of the accompanying interim consolidated financial statements. The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and are considered by management to present fairly the financial position, operating results and cash flows of the Company. These interim financial statements have not been audited or reviewed by an auditor.

“Roy Meade”
Roy Meade
Chief Executive Officer

“Andrew Herbert”
Andrew Herbert
Chief Financial Officer

Avnel Gold Mining Limited
Notes to the Unaudited Consolidated Financial Statements
For the period ended September 30, 2007

1. Nature of Operations and Liquidity

Avnel Gold Mining Limited (the "Company") was incorporated under the laws of Guernsey on February 18, 2005. On February 22, 2005, Elliott Associates L.P., Elliott International L.P. (collectively "Elliott") and Fern Trust ("Fern") acquired 100% of the issued and outstanding common shares of the Company in exchange for 95% of the issued and outstanding shares of Avnel Gold, Limited, a company incorporated in the Cayman Islands, pursuant to a reorganization agreement. Under the reorganization agreement, obligations of Avnel Gold, Limited to Elliott and Fern in respect of existing shareholder loans of Avnel Gold, Limited were assumed by the Company. The reorganization has been accounted for as an exchange between entities under common control whereby the assets and liabilities of the Avnel Gold, Limited group are initially recognized at their carrying amounts in the accounts of the Avnel Gold Mining Limited group at the date of the transfer. The principal asset of Avnel Gold, Limited is an 80% interest in Société d'Exploitation des Mines d'Or de Kalana ("SOMIKA"), the current owner and operator of the Kalana Gold Mine and Concession.

The Company's cash flow and profitability is dependent primarily on the volume of production, gold prices, operating costs, environmental costs, interest rates on borrowings and investments and discretionary expenditure levels including exploration, technology, resource development and general and administrative. Since the Company operates overseas, exposure also arises from fluctuations in currency exchange rates, political risks and varying levels of taxation. While the Company seeks to manage these risks, many of these factors are beyond its control.

The US Dollar is the functional currency of the Company's principal operations.

The Company does not currently have financing commitments in place to meet expected cash requirements. Management plans to raise such funds from existing stockholders or through public offerings of its shares. There can be no assurance that the Company will be able to raise such funds. The consolidated financial statements have been presented on the basis that the Company is a going concern. Accordingly, the financial statements do not include adjustments relating to the carrying value of assets, the amounts and classification of liabilities, or other adjustments that might result should the Company be unable to continue as a going concern.

2. Interim Accounting Policy

The accompanying unaudited consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly in accordance with accounting principles generally accepted in the United States, the financial position of the Company and the results of its operations and cash flows for the period ended September 30, 2007. Although the Company believes that disclosure in these financial statements is adequate to make the information presented not misleading, certain information and foot note information normally included in annual financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These financial statements are prepared using the same accounting policies and method of application as those disclosed in Note 3 to the consolidated financial statements of Avnel Gold Mining, Limited for the year ended December 31, 2006.

Results of operations for the period ended September 30, 2007 are not necessarily indicative of what operating results may be for the full year. In addition, these unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2006.

3. Share Capital

On February 7, 2007, the Company announced that it was issuing rights to subscribe for additional common shares to eligible shareholders. The Company issued to shareholders one right for every common share held. The shareholder was able to subscribe for one common share for every eight rights held for a purchase price of Cdn\$0.50. The Company raised gross proceeds of Cdn\$3,541,635 (\$3,005,000) and issued 7,083,270 common shares. Elliott entered into a stand-by agreement with the Company pursuant to which Elliott agreed to purchase, or arrange the purchase of all common shares issuable on the exercise of rights which were not acquired by other holders of rights.

The exercise price of the rights was at less than 90% of the market value of the shares. This has triggered the anti-dilutive provisions in the warrant and convertible loan note agreements leading to a change in exercise price and number of common shares issuable as shown in the tables below:

	Exercise Price	
	Pre-rights issue Cdn\$	As at September 30, 2007 Cdn\$
Warrants issued through the IPO on June 30, 2005	1.06	1.007654
Warrants issued through the Private Placement on November 29, 2005	1.30	1.229252
Agents' warrants related to the IPO (expired June 30, 2007)	0.76	0.722469
Broker's warrants related to the private placement (expired May 29, 2007)	1.00	0.950617
Convertible Loan Notes	0.95	0.898299
Minority shareholder warrants ("A1" warrants)	0.275 (US\$)	0.260034 (US\$)

	Common Shares Issuable	
	Pre-rights issue	As at September 30, 2007
Warrants issued through the IPO on June 30, 2005	6,196,801	6,518,713
Warrants issued through the Private Placement on November 29, 2005	7,936,000	8,392,748
Agents' warrants related to the IPO (expired June 30, 2007)	419,499	Expired
Broker's warrants related to the private placement (expired May 29, 2007)	1,117,200	Expired
Minority shareholder warrants	1,485,400	1,414,038

There is no change to the number of shares issuable on conversion of the convertible loan notes.

The Company may elect to pay the interest payable on its convertible loan notes in common shares in lieu of cash. The number of shares payable in lieu of interest is calculated by dividing the cash value of the interest payable by the U.S. Dollar equivalent of the 20-day weighted average trading price of the common shares with the last day being five trading days before the interest payment date. 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.

4. Commitments and Contingencies

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 were delivered by July 31, 2007.

5. Related Party Transactions

The Company has entered into operating leases for office space and equipment with Fern. The Company incurred \$104,000 in rental costs during the period ended September 30, 2007.

SOMIKA purchased \$325,000 of explosives from African Explosives Limited ("AEL") during the nine months ended September 30, 2007. Mr. Ibrahim Kantao, a director of the Company and SOMIKA, is also the Director-General of AEL Mali.

6. Canadian Generally Accepted Accounting Principles

Canadian Generally Accepted Accounting Principles ("Canadian GAAP") vary in certain respects from U.S. GAAP. The effect of the principal measurement differences on the Company's consolidated financial statements are described below.

Convertible Loan Notes

Under Canadian GAAP, the Company's convertible loan notes would be recorded in part as debt and in part as shareholders' equity, rather than entirely as debt as considered under U.S. GAAP. The amount recorded as debt represents the present value of future interest and principal amounts of the notes. The amount will be accreted to the face value of the notes over the term to maturity through periodic charges to interest expense.

Under Canadian GAAP, the convertible loan notes liability would originally decrease by \$916,000, and other paid in capital, included in shareholders' equity, would increase by \$916,000. At September 30, 2007 the remaining balance to be amortized amounts to \$504,000.

The following table presents the net loss and loss per share following Canadian GAAP:

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	2007	2006	2007	2006
Net income (loss) under US GAAP	\$ (1,320)	\$ 78	\$ (271)	\$ (3,901)
Accretion of convertible notes	(46)	(46)	(138)	(45)
Net income (loss) under Canadian GAAP	<u>\$ (1,366)</u>	<u>\$ 32</u>	<u>\$ (409)</u>	<u>\$ (3,946)</u>
Net income (loss) per share under Canadian GAAP	<u>\$ (0.02)</u>	<u>\$ 0.0005</u>	<u>\$ (0.007)</u>	<u>\$ (0.25)</u>