

AVNEL GOLD MINING LIMITED
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008

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
 Unaudited Consolidated Balance Sheets
 March 31, 2008 and December 31, 2007
 Expressed in thousands of US Dollars

	March 31 <u>2008</u>	December 31 <u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 1,304	\$ 1,007
Inventories	3,246	3,137
Prepaid and other assets	1,174	934
Total current assets	<u>5,724</u>	<u>5,078</u>
Property, plant and equipment, at cost		
Mining properties and capitalized mine development costs	22,220	21,785
Other property and equipment	8,779	8,403
	<u>30,999</u>	<u>30,188</u>
Accumulated depreciation	5,764	5,164
Net property, plant and equipment	<u>25,235</u>	<u>25,024</u>
Total Assets	<u>\$ 30,959</u>	<u>\$ 30,102</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 1,296	\$ 1,136
Tax creditor	1,243	1,120
Other accrued liabilities	2,136	2,203
Current portion of long-term debt	880	880
Total current liabilities	<u>5,555</u>	<u>5,339</u>
Notes payable - long term	10,941	10,941
Retirement and rehabilitation obligations	858	840
Total liabilities	<u>17,354</u>	<u>17,120</u>
Common stock:		
Authorised - unlimited number of ordinary shares of no par value Issued and outstanding 65,445,497 (December 31, 2007 64,366,529)	25,551	25,141
Additional paid in capital	4,765	4,716
Retained deficit	(16,631)	(16,832)
Accumulated other comprehensive income (loss)	(80)	(43)
Total stockholders' equity	<u>13,605</u>	<u>12,982</u>
Total Liabilities and Stockholders' Equity	<u>\$ 30,959</u>	<u>\$ 30,102</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 Three Months Ended March 31, 2008 and 2007
Expressed in thousands of US Dollars
(except share and per share information)

	<u>2008</u>	<u>2007</u>
REVENUE		
Metal revenue	\$ 5,496	\$ 4,278
EXPENSES		
Operating	3,456	2,302
Depreciation	600	424
Exploration	183	68
Administration expense	850	556
Total expenses	<u>5,089</u>	<u>3,350</u>
Income from operations	407	928
Other income (expense)		
Interest expense	(195)	(209)
Exchange gain (loss)	(7)	52
Total other expense	<u>(202)</u>	<u>(157)</u>
Income before income tax	205	771
Income tax expense	(4)	(2)
Net income	<u>\$ 201</u>	<u>\$ 769</u>
Net income per share		
Basic	<u>\$0.003</u>	<u>\$ 0.01</u>
Diluted	<u>\$0.002</u>	<u>\$0.008</u>
Weighted average shares outstanding		
Basic	<u>65,409,927</u>	<u>61,606,387</u>
Diluted	<u>89,598,421</u>	<u>97,338,142</u>

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Avnel Gold Mining Limited
Unaudited Consolidated Statement of Cash Flows
For the Three Months Ended March 31, 2008 and 2007
Expressed in thousands of US Dollars

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Net income from continuing operations	\$ 201	\$ 769
Reconciled to net cash (used in) provided by operating activities		
Depreciation	600	424
Accretion and reclamation liability	18	17
Stock based compensation	49	70
Change in tax creditor	123	91
Changes in operating assets and liabilities		
Inventories	(109)	(306)
Prepaid and other assets	(240)	(187)
Accounts payable	160	(327)
Other accrued liabilities	306	366
Net cash provided by operating activities	<u>1,108</u>	<u>917</u>
Cash flows from investing activities:		
Purchases and development of		
Property, plant and equipment	(811)	(922)
Net cash used in investing activities	<u>(811)</u>	<u>(922)</u>
Cash flows from financing activities:		
Proceeds of issue of share capital	-	2,927
Net cash provided by financing activities	<u>-</u>	<u>2,927</u>
Net increase in cash and cash equivalents	297	2,922
Cash and cash equivalents at beginning of period	1,007	1,220
Cash and cash equivalents at end of period	<u><u>\$ 1,304</u></u>	<u><u>\$ 4,142</u></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 Paid in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
At December 31, 2006	56,123,528	\$ 21,457	\$ 4,491	\$ (15,928)	\$ 4	10,024
Issuance of common stock in payment of interest	542,659	429	-	-	-	429
Issuance of common stock for cash net of issue costs	7,083,270	2,927	-	-	-	2,927
Stock based compensation	-	-	70	-	-	70
Net income	-	-	-	769	-	769
Other comprehensive income						
Exchange loss	-	-	-	-	(2)	(2)
Comprehensive income	-	-	-	-	-	767
At March 31, 2007	63,749,457	24,813	4,561	(15,159)	2	14,217
Issuance of common stock in payment of interest	617,072	408	-	-	-	408
Stock based compensation	-	-	155	-	-	155
Issue costs	-	(80)	-	-	-	(80)
Net loss	-	-	-	(1,673)	-	(1,673)
Other comprehensive loss						
Exchange gain	-	-	-	-	(45)	(45)
Comprehensive loss	-	-	-	-	-	(1,718)
At December 31, 2007	64,366,529	25,141	4,716	(16,832)	(43)	12,982
Issuance of common stock in payment of interest	1,078,968	410	-	-	-	410
Stock based compensation	-	-	49	-	-	49
Net income	-	-	-	201	-	201
Other comprehensive income						
Exchange loss	-	-	-	-	(37)	(37)
Comprehensive income	-	-	-	-	-	164
At March 31, 2008	65,445,497	25,551	4,765	(16,631)	(80)	13,605

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

Avnel Gold Mining Limited
Notes to the Unaudited Consolidated Financial Statements
For the period ended March 31, 2008

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 Company's principal assets are an 80% indirect interest in Societe des Mines d'Or De Kalana ("SOMIKA") and a 90% indirect interest in the Fougadian Exploration Permit.

The Company's cash flow and profitability is dependent primarily on the volume of production, gold prices, operating costs, interest rates on borrowings and investments and discretionary expenditure levels including exploration, resource development and general and administrative costs. Since the Company has subsidiaries operating in UK, Mali and the Cayman Islands, 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 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.

As a result of the Company having incurred recurring operating losses additional funding will be required to cover an expected working capital shortfall during the second and third quarters of 2008. At the date of the balance sheet, the Company had not yet arranged this funding. Funding was raised after the balance sheet as described in Note 7.

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

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 March 31, 2008. 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 the Company for the year ended December 31, 2007.

Results of operations for the period ended March 31, 2008 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, 2007.

3. Share Capital

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 1,078,968 common shares of the Company in settlement of the \$410,451 interest accrued to January 2, 2008.

4. Commitments and Contingencies

On March 28, 2008, the Company entered in to a forward sales contract of 10,000 ounces of gold at an average price of \$956 per ounce to be delivered between June 2008 and April 2009. The Company believes that these forward sales qualify as normal sales contracts under FAS133 and will record the revenues when the gold sold forward is delivered and proceeds are received. At March 31, 2008, based on the spot price of \$934 per ounce, the mark-to-market value of the Company's gold forward sales agreements was \$96,000. These forward sales agreements were entered into with Elliott, one of the shareholders of the Company.

5. Related Party Transactions

The Company has entered into operating leases for office space and equipment with a company related to Fern. The Company incurred \$69,000 in rental costs during the period ended March 31, 2008.

SOMIKA purchased \$163,000 of explosives from African Explosives Limited ("AEL") during the three months ended March 31, 2008. 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 March 31, 2008 the remaining balance to be amortized amounts to \$412,000.

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

	2008	2007
Net income under US GAAP	\$ 201	\$ 769
Accretion of convertible notes	(46)	(46)
Net income under Canadian GAAP	\$ 155	\$ 723
Net income per share under Canadian GAAP	\$ 0.002	\$ 0.01

7. Subsequent Events

As a result of the Company having incurred recurring operating losses, additional funding has been put in place to cover an expected working capital shortfall during the second and third quarters of 2008 (the “Financing”). The Financing, which was completed on April 14, 2008, involved three transactions with the Company’s principal shareholder and two other shareholders of the Company. Elliott, the majority shareholder, and two other shareholders of the Company have purchased 6,542,857 common shares of the Company at a subscription price of Cdn\$0.35 per common share in the form of a private placement (the “Private Placement”). This raised gross proceeds of Cdn\$2,290,000. Elliott has also provided the Company with \$3,000,000 in the form of a term loan, secured on the Company’s assets, with an interest rate of 10%, for the purpose of providing additional working capital to bridge the projected cash shortfall in the second and third quarters of 2008 (the “Bridge Loan”). The Company projects that the Bridge Loan could be repaid out of operating cash flow in 2009. In addition the Company’s existing term loans with Elliott and Fern have been extended by one year from their current maturity of December 31, 2008 to December 31, 2009.