

AVNEL GOLD MINING LIMITED
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2009

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.

“Howard Miller”
Howard Miller
Chief Executive Officer

“Alan McFarlane”
Alan McFarlane
Vice President Finance

Avnel Gold Mining Limited
Consolidated Balance Sheets
March 31, 2009 and December 31, 2008
Expressed in thousands of US Dollars

	Mar 31	Dec 31
	2009	2008
ASSETS	<u>unaudited</u>	<u>audited</u>
Cash and cash equivalents	1,463	277
Inventories	3,926	5,499
Prepaid and other assets	685	911
	<hr/>	<hr/>
Total current assets	6,074	6,687
	<hr/>	<hr/>
Property, plant and equipment, at cost		
Mining properties and capitalised mine development costs	23,380	23,000
Other property and equipment	9,102	8,970
	<hr/>	<hr/>
	32,482	31,970
Accumulated depreciation and depletion	8,958	6,814
Net property, plant and equipment	<hr/>	<hr/>
	23,524	25,156
	<hr/>	<hr/>
Total Assets	<hr/> 29,598 <hr/>	<hr/> 31,843 <hr/>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	1,422	954
Tax creditor	1,380	1,324
Other accrued liabilities	2,321	2,168
Current portion of long term debt	2,880	2,880
	<hr/>	<hr/>
Total current liabilities	8,003	7,326
Notes payable - long term	10,941	10,941
Retirement and rehabilitation obligations	931	911
Total liabilities	<hr/> 19,875 <hr/>	<hr/> 19,178 <hr/>
 STOCKHOLDERS' EQUITY		
Share Capital	28,228	28,093
Additional paid in capital	4,898	4,898
Retained Earnings	(23,380)	(20,288)
Accumulated and other comprehensive income	(23)	(38)
	<hr/>	<hr/>
Total stockholders' equity	9,723	12,665
	<hr/>	<hr/>
Total Liabilities and Stockholders' Equity	<hr/> 29,598 <hr/>	<hr/> 31,843 <hr/>

Avnel Gold Mining Limited
Consolidated Statement of Operations and Comprehensive Income
For the period ended Mar 31, 2009
Expressed in thousands of US Dollars
(except share and per share information)

	3 months ended Mar-31 2009 <u>unaudited</u>	3 months ended Mar-31 2008 <u>unaudited</u>
REVENUE		
Metal revenue	6,484	5,496
EXPENSES		
Operating	5,180	3,456
Depreciation	2,145	600
Exploration	149	183
Administration expense	618	850
Total expenses	8,092	5,089
(Loss)/profit from operations	(1,608)	407
Other income/(expense)		
Interest expense	(170)	(195)
Exchange loss	(1,312)	(7)
Total other expense	(1,482)	(202)
(Loss)/profit before tax	(3,090)	205
Income tax expense	(1)	(4)
Net (loss)/profit	(3,091)	201
(Loss)/income per share	(0.041)	0.003
Weighted average shares outstanding	75,844,572	65,409,927

Avnel Gold Mining Limited
Consolidated Statement of Cash Flows
For the period ended Mar 31, 2009
Expressed in thousands of US Dollars

	3 months ended Mar-31 2009 <u>unaudited</u>	3 months ended Mar-31 2008 <u>unaudited</u>
Cash flows from operating activities:		
(Loss) from continuing operations	(3,091)	201
Non cash items		
Depreciation	2,145	600
Change in reclamation liability	20	18
Stock option expense	0	49
Tax creditor	56	123
Changes in operating assets and liabilities		
Inventories	1,573	(109)
Prepaid and other assets	226	(240)
Accounts payable	468	160
Other accrued liabilities	301	306
Net cash provided by operating activities	<u>1,698</u>	<u>1,108</u>
 Cash flows from investing activities:		
Purchases and development of property and equipment	<u>(512)</u>	<u>(811)</u>
Net cash used in investing activities	<u>(512)</u>	<u>(811)</u>
 Cash flows from financing activities:		
Issue of share capital	0	0
Net cash provided by financing activities	<u>0</u>	<u>0</u>
 Net increase in cash and cash equivalents	1,186	297
 Cash and cash equivalents at beginning of period	277	1,007
 Cash and cash equivalents at end of period	<u>1,463</u>	<u>1,304</u>

Avnel Gold Mining Limited

Consolidated Statement of Changes in Stockholders' Equity

	<u>Common Stock</u>		Additional	Accumulated	Accumulated	Total
	<u>Shares</u>	<u>Amount</u>	Paid in <u>Capital</u>	<u>Deficit</u>	Other Comprehensive <u>Income/(loss)</u>	Stockholders' <u>Equity</u>
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 gain						
Exchange loss	-	-	-	-	(37)	(37)
Comprehensive income						164
At March 31, 2008	65,445,497	25,551	4,765	(16,631)	(80)	13,605
Issuance of common stock in payment of interest	1,921,018	360	-	-	-	360
Issuance of common stock for cash net of issue costs	6,542,857	2,182	-	-	-	2,182
Stock based compensation	-	-	133	-	-	133
Net loss	-	-	-	(3,658)	-	(3,658)
Other comprehensive loss						
Exchange profit	-	-	-	-	43	43
Comprehensive loss						(3,615)
At December 31, 2008	73,909,372	28,093	4,898	(20,289)	(37)	\$ 12,665
Issuance of common stock in payment of interest	5,277,817	135	-	-	-	135
Net loss	-	-	-	(3,091)	-	(3,091)
Exchange profit	-	-	-	-	14	14
Comprehensive loss						(3,077)
At March 31, 2009	79,187,189	28,228	4,898	(23,380)	(23)	9,723

Avnel Gold Mining Limited
Notes to the Unaudited Consolidated Financial Statements
For the period ended March 31, 2009

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 last quarter of 2009. At the date of the balance sheet, the Company had not yet arranged this funding.

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, 2009. 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, 2008.

Results of operations for the period ended March 31, 2009 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, 2008.

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 5,277,817 common shares of the Company in settlement of the \$135,761 interest accrued to December 31, 2008.

4. Commitments and Contingencies

On March 28, 2008, the Company entered into 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 have recorded the revenues when the gold sold forward is delivered and proceeds are received. At March 31, 2009, based on the spot price of \$917 per ounce, the mark-to-market value of the Company's gold forward sales agreements was \$36,000. 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 with a company related to Fern. The Company incurred \$27,000 in rental costs during the period ended March 31, 2009.

SOMIKA purchased \$116,000 of explosives from African Explosives Limited (“AEL”) during the three months ended March 31, 2009. 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, 2009 the remaining balances to be amortized amounts to \$229,000.

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

	2009	2008
Net (loss)/income under US GAAP	\$ (3,091)	\$ 201
Accretion of convertible notes	(46)	(46)
Net (loss)/income under Canadian GAAP	\$ (3,137)	\$ 155
Net (loss)/income per share under Canadian GAAP	\$ (0.041)	\$ 0.002