AVNEL GOLD MINING LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

Corporate information

DIRECTORS

Howard Miller (Chairman)
John Kearney (Non-executive & Lead Director)
Ibrahim Kantao (Non-executive Director)
Jonas Rydell (Non-executive Director)
Andrew King (Non-executive Director)
Keith McCandlish (Non-executive Director)
Anne-Severine Le Doare (Non-Executive director)

AUDITORS

Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

REGISTERED OFFICE

Les Echelons
Les Echelons Court
St. Peter Port
Guernsey GY1 4AN

REPORT OF THE DIRECTORS

DATE OF INCORPORATION

Avnel Gold Mining Limited ("Avnel" or the "Company") was incorporated in Guernsey on February 18, 2005.

PRINCIPAL ACTIVITIES

Avnel was established for the purpose of becoming the holding company for, and to carry on the business of, Avnel Gold, Limited ("Avnel Cayman"), a corporation incorporated under the laws of the Cayman Islands, pursuant to a reorganization completed on February 22, 2005. Avnel Cayman and subsidiaries own and operate a gold mine located in the southwest of Mali (the "Kalana Gold Mine") and the surrounding exploitation property (the "Concession"), and hold rights to the Kalana exploration and exploitation permit. The Company and its consolidated subsidiaries for financial reporting purposes are referred to herein as the "Group".

FINANCIAL RESULTS

The financial results of the Group are reflected in the financial statements appearing on pages 8-47.

DIVIDENDS

The Company has not declared any dividends during the year (2015:$ nil). The directors do not propose payment of a dividend.

DIRECTORS

The directors who served during the year, and up to the date of this report, were as follows unless otherwise stated:

	Appointed	**Resigned**
Howard Miller	February 23, 2005	
John Kearney	February 23, 2005	
Ibrahim Kantao	February 23, 2005	
Anthony Bousfield	February 23, 2005	October 25, 2016
Jonas Rydell	February 23, 2005	
Andrew King	March 30, 2015	
Keith McCandlish	March 30, 2015	
Anne-Severine Le Doare	October 25, 2016	

GOING CONCERN

Note 1 to the consolidated financial statements describes the existence of a material uncertainty over going concern since the Company may need to raise further funds in the first quarter of 2018 in order to satisfy short-term working capital needs and is also focusing on securing the longer term project financing required to develop the Kalana Main project. As set out in note 1, the directors believe that the required financing will be raised and therefore the consolidated financial statements have been presented on the basis that the Company is a going concern.

DIRECTORS' STATEMENT AS TO THE DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who were members of the board at the time of approving the directors' report are listed above. Having made enquiries of fellow directors and of the Company's auditor, each of the directors confirms that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- each director has taken all steps a director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

"Howard B Miller"	March 30, 2017
……………………	....
Director	Date

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors of the Company are responsible for preparing the financial statements in accordance with applicable Guernsey law and generally accepted accounting principles. The directors have chosen to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Guernsey company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the group at the period end and of the profit or loss of the group for the period then ended. In preparing these financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements prepared by the group comply with the requirements of the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

To the Members of Avnel Gold Mining Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Avnel Gold Mining Limited and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2016 and 2015 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) and the Companies (Guernsey) Law,2008.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements regarding the Group's ability to continue as a going concern. The conditions described in note 1 indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition	
We focused on this area due to the inherent and fraud risk related to the recognition and measurement of revenue. We challenged the timing of recognition of revenue by inspecting supporting documentation covering the Group's revenue stream. We performed procedures to validate the occurrence, measurement and completeness of revenue.	A fully substantive audit approach was adopted in our audit of revenue. We walked through the controls over the revenue process to test their design effectiveness. We tested all sales made during the year and agreed the amounts recorded to supporting invoices. We tested cut-off for sales transactions to confirm completeness of revenue and agreed the data supporting sales in 2016 to data from the mine site. We also reviewed consistency with the third party refiner's confirmation of finished product on hand at year end.
Withholding tax provision and tax exposures	
We focused on this area due to the uncertainties surrounding the interpretation of the local tax regulations and tax assessment in Mali, which have resulted in the disclosure of tax contingencies in the Group's financial statements.	*Withholding tax provision* We have audited management's assessment of the provision for withholding tax that would arise upon payment of interest in relation to intercompany loans between SOMIKA and Avnel Gold Mining Limited. As at December 31, 2016, management has recognised a provision of $1.5million in the consolidated financial statements. We assessed the estimates used by management including the discount rate and timing of the cash flows. Our audit work included performing sensitivity analysis using alternative estimates and assessing the impact on the provision. *Tax contingencies* In note 26 to the consolidated financial statements, management has disclosed contingent tax liabilities related to the tax audits undertaken by the Malian tax authorities in relation to the assessments raised for the years 2009 – 2011 and for the years 2012 – 2014. We assessed management's contingent liability classification together with the completeness of the tax contingency disclosures. Our work included updating our understanding of the tax environment in Mali, reviewing relevant correspondence with the tax authorities and discussions with Group management. We have also reviewed the contingent liabilities disclosure note prepared by management on this matter.

Other information

Other information consists of the Directors' Report and Management's Discussion and Analysis. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

The partner in charge of the audit resulting in this independent auditor’s report is Andrew Smyth.

“Ernst & Young LLP, Statutory Auditor”
London, United Kingdom

March 30, 2017

Avnel Gold Mining Limited
Consolidated statements of comprehensive income
For the years ended December 31, 2016 and 2015
Expressed in thousands of US Dollars
(except share and per share information)

	Notes	2016 $'000	2015 $'000
Revenue	6	12,031	11,360
Cost of operations			
Production costs	7	10,344	10,794
Exploration costs	11	508	260
Depletion and depreciation	15	1,012	1,696
		11,864	12,750
Gross profit/(loss)		167	(1,390)
Administration expenses	8	4,203	3,298
Operating loss		(4,036)	(4,688)
Other gain/(expense)			
Net gain on other financial derivatives	18*	3,955	2,166
Other finance expense	9	(194)	(175)
Interest income		11	7
Foreign exchange loss		(17)	(158)
		3,755	1,840
Loss before tax from continuing operations		(281)	(2,848)
Taxation	25	(3)	-
Net loss from continuing operations		(284)	(2,848)
Other comprehensive income:			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(1,092)	(1,961)
Total comprehensive loss		(1,376)	(4,809)
Net profit/(loss) from continuing operations attributable to:			
Equity holders of the parent gain/(loss)		1,234	(1,214)
Non-controlling interests loss		(1,518)	(1,634)
Total comprehensive profit/(loss) attributable to:			
Equity holders of the parent		297	(2,790)
Non-controlling interests		(1,673)	(2,019)
Basic earnings/(loss) per share from continuing operations attributable to equity holders of the parent	10	$0.004	($0.004)
Diluted earnings/(loss) per share from continuing operations attributable to equity holders of the parent	10	$0.003	($0.004)

Notes:
18*Net gain on other financial derivatives arise as a result of the revaluation at each period end of share purchase warrants previously issued by the Company. In accordance with IFRS share purchase warrants issued or denominated in a currency other than the Company's functional currency of US dollars are classified as a derivative financial instrument and accounted for as a liability and subject to revaluation at each period end with the gain or loss on revaluation recognised in the Statement of Comprehensive Income. The associated liability has no cash cost or tax effect on the Company.

Avnel Gold Mining Limited
Consolidated statements of financial position
As at December 31, 2016 and December 31, 2015
Expressed in thousands of US Dollars

	Notes	December 31, 2016 $'000	December 31, 2015 $'000
NON-CURRENT ASSETS			
Exploration and evaluation assets	11	9,605	7,807
Property, plant and equipment	15	7,837	9,100
Total non-current assets		17,442	16,907
CURRENT ASSETS			
Inventories	12	2,681	2,891
Other receivables	13	972	949
Cash and cash equivalents	14	3,720	7,211
Total current assets		7,373	11,051
TOTAL ASSETS		24,815	27,958
CURRENT LIABILITIES			
Trade and other payables	16	2,881	2,248
Other derivative financial liability	18*	649	99
Total current liabilities		3,530	2,347
NON-CURRENT LIABILITIES			
Other derivative financial liability	18*	-	4,713
Provisions	17	3,653	3,349
Total non-current liabilities		3,653	8,062
Total Net Assets		17,632	17,549
EQUITY			
Common equity:			
Share capital	19	64,855	63,981
Warrant/option reserve	20	2,693	3,120
Foreign exchange reserve		(2,970)	(2,033)
Retained deficit		(30,084)	(32,330)
Total shareholders' equity		34,494	32,738
Non-controlling interest		(16,862)	(15,189)
Total Equity		17,632	17,549

The financial statements were approved and authorised for issue by the Board of Directors on March 30, 2017 and signed on their behalf by:

(signed) *"Howard B Miller"*
Howard B Miller
Chairman

(signed) *"John Kearney"*
John Kearney
Lead Director

March 30, 2017

Notes:
18* Share purchase warrants identified as a derivative financial instrument are accounted for as a liability. The liability has no cash, actual cost or tax effect on the Company and will be transferred to the Company's equity account on exercise, or if not exercised, the revaluation will be recorded in the Statement of Comprehensive Income. As the derivative liability is not a cash liability, the Company will exclude it when reporting working capital.

Avnel Gold Mining Limited

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015
Expressed in thousands of US Dollars

	Share capital		Warrant/option	Foreign exchange reserve	Retained			Total
	Shares	Amount	Reserve		Deficit	Total	Non - controlling Interest	Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Note	19	19	20					
At December 31, 2014	**261,430,124**	**56,809**	**2,836**	**(457)**	**(31,116)**	**28,072**	**(13,170)**	**14,902**
Loss for the year	-	-	-	-	(1,214)	(1,214)	(1,634)	(2,848)
Other comprehensive expenditure	-	-	-	(1,576)	-	(1,576)	(385)	(1,961)
Total Comprehensive loss	-	-	-	(1,576)	(1,214)	(2,790)	(2,019)	(4,809)
Stock based compensation	-	-	46	-	-	46	-	46
Issuance of common stock for cash	42,900,000	8,374	-	-	-	8,374	-	8,374
Issue costs	-	(1,202)	238	-	-	(964)	-	(964)
At December 31, 2015	**304,330,124**	**63,981**	**3,120**	**(2,033)**	**(32,330)**	**32,738**	**(15,189)**	**17,549**
Profit/(loss) for the year	-	-	-	-	1,234	1,234	(1,518)	(284)
Other comprehensive expenditure	-	-	-	(937)	-	(937)	(155)	(1,092)
Total Comprehensive profit/(loss)	-	-	-	(937)	1,234	297	(1,673)	(1,376)
Stock based compensation	-	-	377	-	-	377	-	377
Warrants/options exercised/ expired	5,599,476	874	(804)	-	1,012	1,082	-	1,082
At December 31, 2016	**309,929,600**	**64,855**	**2,693**	**(2,970)**	**(30,084)**	**34,494**	**(16,862)**	**17,632**

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

Avnel Gold Mining Limited
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015
Expressed in thousands of US Dollars

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities:			
Net loss for the period		(284)	(2,848)
Adjusted for:			
Other finance expense	9	194	175
Depletion and Depreciation	15	1,012	1,696
Stock based compensation	20	377	46
Withholding tax provision	17	110	38
Interest income		(11)	(7)
Deferred tax	25	3	-
Net gain on other financial derivatives	18	(3,955)	(2,166)
Net foreign exchange difference		(562)	(388)
		(3.116)	(3,454)
Net changes in working capital items:			
Inventories	12	210	627
Other receivables	13	(23)	76
Trade and other payables	16	75	(187)
Net cash used in operating activities		**(2,854)**	**(2,938)**
Cash flows from investing activities:			
Exploration and evaluation asset expenditure	11	(1,521)	(6,041)
Purchases of Property, plant and equipment	15	(29)	(250)
Net cash used in investing activities		**(1,550)**	**(6,291)**
Cash flows from financing activities:			
Issue of share capital		874	9,895
Issue costs		-	(964)
Interest income		11	7
Net cash provided by financing activities		**885**	**8,938**
Net decrease in cash and cash equivalents		**(3,519)**	**(291)**
Foreign exchange difference		28	(207)
Total decrease in cash and cash equivalents		**(3,491)**	**(498)**
Cash and cash equivalents at beginning of period		7,211	7,709
Cash and cash equivalents at end of period		**3,720**	**7,211**

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

1. Corporate information, Liquidity and Going Concern

Corporate information

Avnel Gold Mining Limited (the "Company") was incorporated under the laws of Guernsey on February 18, 2005 and is domiciled in Guernsey. 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 ("Avnel Cayman"), a company incorporated in the Cayman Islands, pursuant to a reorganisation agreement.

Avnel Cayman was incorporated in the Cayman Islands on September 28, 2001. On February 14, 2003 it entered into a Foundation Agreement with the Government of the Republic of Mali for the development of the existing gold mining property at Kalana. Under the terms of the Foundation Agreement, a subsidiary company, SOMIKA, was established in Mali to develop the mining property. Eighty per cent of the voting equity is held by Avnel Cayman and 20 per cent is held beneficially by the Government of Mali.

Gold production commenced in January 2004 and the principal markets are European based bullion trading concerns.

Kalana Permit

Avnel's principal assets are an 80% indirect interest in Société d'Exploitation des Mines d'Or De Kalana, S.A. ("SOMIKA"). The State of Mali holds the remaining 20% interest in SOMIKA, which owns a long tenure (30 years plus two 10-year extensions) Exploitation Permit covering an area of 387.4 square kilometres located in South West Mali (the "Kalana Permit").

A small underground mine with name plate capacity 60,000 tonnes per year and a gravity only gold recovery plant was designed and built by the Russians (SONAREM & SOGEMORK) between the mid-1960's and 1985 and operated by the Russians until 1991 under a Soviet financial and technical aid programme to Mali. Avnel continues to operate the small underground mine principally for exploration purposes and to maintain socio economic stability in the local community. The mine operates as a narrow vein hard rock mine (below the weathered horizon) with gravity gold recovery.

The Kalana Permit was acquired by Avnel through a privatisation tender awarded in December 2002 and the permit was transferred to Avnel's 80% owned subsidiary, SOMIKA in April 2003. Mining operations were resumed by SOMIKA in January 2004 with commercial production commencing in March 2004.

Avnel's strategic objective, through SOMIKA, is to advance the development of the Kalana Main project, whilst exploring for commercially viable opportunities over the remainder of the Kalana exploitation permit.

Liquidity and Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Group will realise its assets and discharge its liabilities in the normal course of business. At December 31, 2016 the Group had net current assets of $4,492,000, excluding derivative financial liabilities and including a cash balance of $3,720,000. In January 2017, 65,263,700 warrants, issued on July 17, 2014, which entitled the holders thereof to purchase one Ordinary Share at a price of C$0.20 at any time until January 17, 2017, were exercised for aggregate proceeds of $9,929,000. A further 1,800,000 C$20c were exercised on February 16, 2017 for aggregate gross proceeds of $276,000. As discussed below, the Company may need to raise further funds in the first quarter of 2018 in order to satisfy short-term working capital needs and is also focusing on securing the longer term project financing required to develop the Kalana Main project.

On March 30, 2016 the Company announced the results of the Definitive Feasibility Study ("DFS") for the Kalana Main project together with an updated Mineral Resource Estimate ("MRE") prepared by Snowden and Denny Jones. The economic results of the DFS show post-tax NPV of $196.0m discounted at 8% at a gold price of $1,200 per ounce. The MRE, based on a 0.9g/t cut-off grade and utilising a $1,400 per ounce gold price, shows in–situ measured and indicated resources of 23.0m tonnes at a grade of 4.14g/t resulting in contained gold of 3.06m ounces and inferred resources of 1.70m tonnes at a grade of 4.51g/t resulting in 0.24m ounces of contained gold. The Company subsequently completed an Optimisation Study in the fourth quarter of 2016 which further enhanced the results of the DFS.

Supported by the results of the DFS, the directors consider that in the Kalana Main project the Company has a valuable asset. The directors recognise the continuing operations of the Company are dependent upon its ability to raise adequate financing and that funding will be required both in the short term for working capital purposes and in the longer term to build the proposed open pit mine at Kalana. The directors recognise that the need for further funds to be raised within twelve months of the date of approval of these financial statements represents a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The directors believe that the required financing will be raised and in conjunction with management are actively progressing various financing options with the major shareholders and are engaged in ongoing discussions with banks, financial institutions and other mining companies regarding proposals for financing, some of which are at an advanced stage. While these discussions are ongoing, it cannot be guaranteed that such financing will be secured, or be available on a timely basis or on acceptable terms. The directors have reasonable expectations that these financing discussions will be successful and therefore the consolidated financial statements have been presented on the basis that the Company is a going concern. The consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the consolidated financial statements.

2. Basis of Preparation/Consolidation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention except for share based payments and warrants that are fair valued at the date of grant and other financial assets and liabilities that are measured at fair value.

The consolidated financial statements of the Company include the accounts of Avnel Gold Mining Limited and its subsidiaries Avnel Gold, Limited (Cayman Islands, 100%), Kalana Mine Services Limited (United Kingdom, 100%), SOMIKA (Mali, 80%) and Avnel Mali SARL (Mali, 100%). All intercompany balances and transactions have been eliminated in the consolidated financial statements.

3. Segmental Reporting

The Group's operating segments are geographic by location of the Group's assets. The Group's material assets are in Mali, West Africa. As the Group has only one asset location, management consider that any additional costs arising in Guernsey, the UK or Canada are contributing to the Group's asset in Mali and therefore only one segment is reported.

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents
Cash and cash equivalents include highly liquid investments with remaining maturities of three months or less at the date of purchase and which are not subject to significant risk from changes in interest rates.

Inventories
Processed ores are stated at the lower of average cost or net realisable value, where realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. There were no material amounts of gold in work in progress or held in sand and ore stockpiles. Materials and supplies are stated at average cost. An annual review for obsolescence is carried out by management.

Other receivables
Other receivables are recognised at fair value, are non-interest bearing and are generally on 30-90 day terms. Subsequent to initial recognition, other receivables are carried forward at amortised cost.

Mineral exploration, evaluation and development expenditure

(i) Pre-license costs

Pre-license costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period they are incurred.

(ii) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activities include:

- Researching and analysing historic data
- Gathering exploration data through geophysical studies
- Exploration drilling and sampling
- Determining and examining the volume and grade of the resource

These costs are expensed in the period they arise unless the directors conclude that it is more likely than not that a future economic benefit will be realised.

Exploration and evaluation expenditure incurred on licenses where a NI 43-101 compliant resource has not yet been established is expensed.

Upon establishment of a NI 43-101 compliant resource, and where the directors consider that the resource is economic, the Group capitalises any further evaluation expenditure under Exploration and evaluation assets. Capitalised exploration and evaluation expenditure is considered to be a tangible asset.

Upon completion of the mine construction phase, expenditure is transferred from Exploration and evaluation asset to Property, plant and equipment.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgement in determining whether economic benefits may be realised, which are based on assumptions about future events. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalised, any information becomes available suggesting that the expenditures are not recoverable, the amount capitalised is recognised in the consolidated statement of comprehensive income as impairment in the period when the new information becomes available.

Property, Plant and Equipment

Acquisition, evaluation and development costs associated with properties brought into production are charged to the statement of comprehensive income using the unit-of-production method based on estimated proven and probable reserves which can be recovered. Acquisition costs were incurred in relation to the purchase of the assets of the gold mining property at Kalana. Development costs represent costs in relation to improving and extending mine infrastructure to access ore bodies at the Kalana mine. Costs of start-up activities and on-going costs to maintain production are expensed as incurred. Property, plant and equipment costs include production facilities and equipment, vehicles and office equipment. Production facilities and equipment are stated at cost and are amortised over the estimated proven and probable reserves which can be recovered from the related property. The weighted average useful life of production facilities and equipment is ten years. Vehicles and office equipment are stated at cost and are depreciated using the straight-line method over estimated useful lives of three to five years. Maintenance and repairs are charged to expense as incurred. Gains or losses on dispositions are included in operating results.

Impairment of Property, Plant and Equipment

The Company assesses its cash generating units annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less cost to sell and value in use. These assessments require the use of estimates and assumptions such as long term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Management has assessed its cash generating units as being an individual mine complex, which is the lowest level for which cash inflows are largely independent of those of other assets.

Financial liabilities

The Group's financial liabilities, which include trade and other payables, are recognised initially at fair value and in the case of loans plus directly attributable transaction costs.

Trade and other payables

Trade and other payables amounts represent liabilities for goods and services provided to the Group prior to the end of the period which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition.

Financial liabilities at fair value through profit and loss

Warrant contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Warrant contracts that require settlement via a variable amount of cash or other financial asset for a fixed number of own equity shares are classified as a derivative financial liability. The liability is measured at fair value with the changes in fair value recorded in the Statement of Comprehensive Income at each period end.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is passed through the Statement of Comprehensive Income.

Decommissioning provision
An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property. Such costs arising from decommissioning of plant and other site preparation work, discounted to their net present values, are provided for in full as soon as the obligation to incur costs arises and can be reliably estimated. On recognition of a provision, an addition is made to property, plant and equipment; this addition is then charged against profits on a unit of production basis over the life of the mine. Decommissioning provisions are updated for changes in cost estimates as well as to life of mine reserves, with resulting adjustments made to both the provision balance and the net book value of the associated non-current asset.

Withholding tax provision
Withholding tax arises only when SOMIKA repays its interest costs to Avnel Gold Mining Limited. The withholding tax provision is updated for changes in cost estimates and the timing of the payment and discounted to its net present value.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

Finance leases which transfer to the Group substantially all the risks and benefits of the leased item are capitalised at the commencement of the lease at the lower of fair value or minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability and finance charges are recognised in finance costs in the income statement.
Operating lease payments are recognised as an operating expense in the income statement on a straight line basis over the lease term.

Revenue Recognition
Revenue from the sale of gold is recognised upon delivery and when title passes.

Income Taxes
Current income tax liabilities comprise those obligations to fiscal authorities in the countries in which the Group's subsidiaries operate and generate taxable income.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amount of assets and liabilities in the consolidated financial statements with their respective tax bases. Deferred tax liabilities are provided in full; deferred tax assets are recognised when there is sufficient probability of utilisation. The Company files income tax returns, including returns for its subsidiaries, as prescribed by the tax laws of the country and state and local jurisdictions in which it operates. The Group's uncertain tax positions are related to tax years that remain subject to examination and are recognised in the consolidated financial statements when management view that they are likely to occur. Withholding taxes are shown as operating costs and they fall outside the scope of IAS 12 *Income Taxes*.

Foreign Currency
The Group's reporting currency is US dollar. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Stock Based Compensation
Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions
The cost of equity-settled transactions is recognised, together with a corresponding increase in the warrant/option reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions, for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The warrant/option reserve includes warrants issued to brokers as part of private placements undertaken by the Company as well as stock based compensation options issued to employees. On expiration or exercise of the warrants/options the fair value recognised at grant date is transferred to retained earnings.

On expiration or exercise of the warrants/options the fair value of the warrants/options are transferred to retained earnings.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 10).

Earnings/loss per Common Share

The Company presents basic and diluted earnings/loss per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average of common shares outstanding for the effects of all dilutive potential common shares, which comprise of warrants and share options.

Fair value Measurements

The Company establishes a three-level valuation hierarchy for classification of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect our own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarised below:

Level 1 – Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2 – Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3 – Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

The classification of assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement in its entirety.

5. Judgements in applying accounting policies and sources of estimation uncertainty

The financial statements of the Group have been prepared in accordance with IFRS as issued by the IASB which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience. Actual results could differ from those estimates. The key areas are summarised below:

Functional Currencies

Identification of functional currencies requires a judgement as to the currency of the primary economic environment in which the companies of the Group operate. This is based on analysis of the economic environments and cash flows of the subsidiaries of the Group.

Carrying values of property, plant and equipment

The Group periodically makes judgements as to whether its property, plant and equipment may have been impaired, based on internal and external indicators. Any impairment is based on estimates of future cash flows. For the year ended December 31, 2016 there were no indicators of impairment arising from management's review.

Mineral resources and ore reserves

Quantification of mineral resources requires a judgement on the reasonable prospects for eventual economic extraction. Quantification of ore reserves requires a judgement on whether mineral resources are economically minable. These judgements are based on assessment of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors involved, in accordance with standards prescribed in National Instrument 43-101. These factors are a source of uncertainty and changes could result in an increase or decrease in mineral resources and ore reserves. This would in turn affect certain amounts in the financial statements such as depreciation and closure provisions, which are calculated on projected life of mine figures.

Provisions and contingent liabilities

Judgements are made as to whether a past event has led to a liability that should be recognised in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgements and estimations. These judgements are based on a number of factors including the nature of the tax claim or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realised. Each of these factors is a source of estimation uncertainty.

Restoration, rehabilitation and environmental provisions

The Group reviews its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates 3% (2015: 3%) and changes in discount rates 3% (2015: 3%). These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

Tabular amounts expressed in thousands of US Dollars

Other derivative financial liabilities
The calculation of the fair value of other derivative financial liabilities requires judgements, estimates and assumptions related to the risk-free rate and share price volatility. These inputs are taken from active markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Changes in assumptions about these factors could affect the reported fair value of the financial instruments.

New and amended standards and interpretations

The standards, amendments and interpretations to existing standards, issued by the International Accounting Standards Board (IASB) and effective for the first time in the current year have no material impact on these consolidated financial statements.

Standards and interpretations issued but not effective

The following new standards and amendments to standards and interpretations were not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements. These are summarised below:

Standard or interpretation			Effective date*
IFRS 16	*Leases*	The new standard requires lessees to recognise assets and liabilities on their balance sheets for most leases, many of which may have been off balance sheet in the past. The Group will assess the impact prior to the effective date.	1 January 2019
IFRS 9	*Financial Instruments*	Classification and measurement of financial assets and financial liabilities as defined in IAS 39. The Group is still currently assessing the impact, if any, of this new standard.	1 January 2018
IFRS 15	*Revenue from Contracts with Customer*	The new revenue standard introduces a single, principles-based, five-step model for the recognition of revenue when control of a good or service is transferred to the customer. The Group is currently assessing the impact, if any, of this new standards.	1 January 2018
IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*	The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits	1 January 2017

		and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. The Group will assess the impact prior to the effective date.	
IAS 7	*Disclosure Initiative*	The amendments to require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group does not currently expect this new interpretation to have any impact.	1 January 2017
IFRS 2	*Classification and Measurement of Share-based Payment Transactions*	The amendments provide requirements on the accounting for: • The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments • Share-based payment transactions with a net settlement feature for withholding tax obligations • A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Group will assess the impact prior to effective date.	1 January 2018
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*	The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. The Group will assess the impact prior to effective date.	1 January 2018

**Annual periods beginning on or after.*

Tabular amounts expressed in thousands of US Dollars

6. Revenue

	2016 $'000	2015 $'000
Metal revenue	12,031	11,360
	12,031	11,360

7. Cost of operations

Production costs

	2016 $'000	2015 $'000
Mining	4,366	4,792
Milling	1,597	1,695
Technical services	574	451
Operating overheads	3,152	2,944
Stock movement	(63)	(190)
Royalties and other selling costs	541	503
Other	177	599
	10,344	10,794

8. Administration expenses

	2016 $'000	2015 $'000
Salaries	1,823	1,751
Stock based compensation	377	46
Financial advisory	353	82
Audit	308	253
Legal	259	145
Investor relations	173	270
Travel	255	238
Director fees & insurance	178	155
Office expenses	195	199
Other	282	159
	4,203	3,298

9. Other finance expense

	2016 $'000	2015 $'000
Accretion of discount on provisions (note 17)	194	175
	194	175

Tabular amounts expressed in thousands of US Dollars

10. Earnings Per Share

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average of number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares

The following reflects the profit/ (loss) and share data used in the basic and diluted earnings/ (loss) per share computations:

Basic and diluted earnings/(loss) per share

	2016 $'000	2015 $'000
Net profit/ (loss) attributable to ordinary equity holders of the parent	1,234	(1,214)
Basic weighted average number of ordinary shares for basic earnings/(loss)per share	306,685,353	289,403,275
Basic earnings/(loss) per share attributable to ordinary equity holders of the parent	**$0.004**	**($0.004)**
Effect of dilutive potential ordinary shares from warrants and options granted	70,792,700	-
Diluted weighted average number of ordinary shares for basic earnings/(loss) per share	377,478,053	289,403,275
Diluted earnings/(loss) per share attributable to ordinary equity holders of the parent	**$0.003**	**($0.004)**

11. Exploration and evaluation assets

	2016 $'000	2015 $'000
At January 1	7,807	1,968
Additions	2,079	6,041
Exchange adjustments	(281)	(202)
At December 31	9,605	7,807

Tabular amounts expressed in thousands of US Dollars

The additions during 2016 relate to the Kalana Main Project and drilling at the Kalanako deposit. In 2016, exploration costs of $508,000 (2015: $260,000), carried on outside these areas, were expensed.

12. Inventories

	2016 $'000	2015 $'000
Metal inventory	827	764
Materials and supplies	1,854	2,127
	2,681	2,891

Metal inventory consists of 713 ounces (2015: 728 ounces) of gold held at the Kalana mine site. The gold is valued at net realisable value of $1,160 per ounce (2015: $1,050 per ounce).

13. Other receivables

	2016 $'000	2015 $'000
Refundable VAT in Mali	579	807
Prepayments and other	393	142
	972	949

14. Cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank and in hand	1,604	2,851
Short term bank deposits	2,116	4,360
	3,720	7,211

The short term bank deposits are held with Barclays Bank Plc treasury and have a maturity period less than a month.

Tabular amounts expressed in thousands of US Dollars

15. Property, Plant and Equipment

	Mine acquisition costs $'000	Underground mine development $'000	Mine equipment $'000	UK office equipment $'000	Total $'000
Cost					
Balance at January 1, 2015	3,411	19,189	9,998	124	32,722
Additions	-	201	35	14	250
Disposals	-	-	(52)	(36)	(88)
Exchange adjustments	(348)	(1,956)	(1,018)	(6)	(3,328)
Balance at December 31, 2015	3,063	17,434	8,963	96	29,556
Additions	-	-	6	23	29
Disposals	-	-	-	(18)	(18)
Exchange adjustments	(110)	(628)	(323)	(16)	(1,077)
Balance at December 31, 2016	2,953	16,806	8,646	85	28,490
Accumulated Depreciation					
Balance at January 1, 2015	1,913	10,573	8,424	102	21,012
Charged during the year	96	568	1,016	16	1,696
Disposals	-	-	(52)	(36)	(88)
Exchange adjustments	(197)	(1,089)	(873)	(5)	(2,164)
Balance at December 31, 2015	1,812	10,052	8,515	77	20,456
Charged during the year	91	539	369	13	1,012
Disposals	-	-	-	(18)	(18)
Exchange adjustments	(70)	(388)	(325)	(14)	(797)
Balance at December 31, 2016	1,833	10,203	8,559	58	20,653
Net Book Value					
December 31, 2016	1,120	6,603	87	27	7,837
December 31, 2015	1,251	7,382	448	19	9,100
January 1, 2015	1,498	8,616	1,574	22	11,710

Tabular amounts expressed in thousands of US Dollars

16. Trade and other payables

	2016	2015
	$'000	$'000
Trade payables	1,362	1,311
Accrued expenses	1,519	937
	2,881	2,248

The carrying amount of trade and other payables approximates their fair value.

17. Provisions

	Withholding Tax Provision	Decommissioning Provision	Total
	$'000	$'000	$'000
At January 1, 2015	1,153	1,983	3,136
Arising in the year	38	-	38
Accretion of discount	115	60	175
Closing balance December 31, 2015	1,306	2,043	3,349
Arising in the year	110	-	110
Accretion of discount	133	61	194
At December 31, 2016	1,549	2,104	3,653

Decommissioning provision

The Company commissioned an environmental report by an independent party. This estimated un-discounted cost for the retirement and rehabilitation of Kalana Mine of $2,236,000. The environmental liability is based on the work required to be carried out on the tailings facilities to ensure stabilisation of the facility and re-vegetation of the tailings surface area, the capping of the underground shafts and the reclamation of plant, workshops and buildings where appropriate. The area disturbed by mining operations will then be re-vegetated. There will then be an ongoing monitoring of the water quality and re-vegetation programmes.

The Company has used a discount rate of 3.0% for future cash flows in arriving at the fair value of its asset retirement and rehabilitation obligations. The Company considers that 3.0% is an appropriate discount rate. It is possible that the closure plan will change if a new open pit mine is developed. This will be dependent on the commencement of the Kalana Main Project.

Tabular amounts expressed in thousands of US Dollars

Withholding tax provision

The long term tax provision relates to withholding tax that will arise in Mali when SOMIKA's loan interest is actually paid to Avnel Gold Mining Limited. The provision is based on the Group's estimates as at December 31, 2016. The estimates are reviewed regularly to take into account any material changes to the assumptions. Management has made a risked assessment of the discounted amount payable estimated to be $1.5m, which has been discounted at 10%.

18. Other derivative financial liabilities

	2016 $'000	2015 $'000
Net gain on other financial derivatives	3,955	2,166
	3,955	2,166

	Financial Liability $'000
Balance at January 1, 2015	5,457
Fair value of warrants issued in 2015	1,521
Net gain on financial derivative (warrants) at fair value	(2,166)
Balance at December 31, 2015	4,812
Net fair value of warrants exercised in 2016	(208)
Net gain on financial derivative (warrants) at fair value	(3,955)
Balance at December 31, 2016	649

The net gain/ (loss) arising on derivative financial liabilities relates to the fair value, in accordance with IFRS, of share purchase warrants issued. The proceeds of the issue of the Units were allocated on a fair value basis between the shares and warrants issued. The warrants issued require settlement for an amount in Canadian dollars, a currency different to the Company's functional currency of US dollars, and therefore do not meet the definition of an equity instrument. As such, the share purchase warrants are carried on the balance sheet as other derivative financial instruments. IFRS requires that shares issued for the extinguishment of liabilities are measured at their fair value at each period end. Any difference between the carrying amount of the financial liability extinguished and the measurement of the initial amount of the equity instrument and the value of the other derivative financial instruments issued is included in the Statement of Comprehensive Income for the period. This reported accounting profit/loss is a fair value adjustment only and has no cash effect on the Company.

The 65,786,400 and 1,800,000 share purchase warrants issued as part of the 2014 Private Placement were initially valued at $2,465,000, assuming a volatility of 80%, a risk free rate of 1.0% and an expected 2.5 year life.

The 2,000,000 share purchase warrants issued as part of the 2014 Link Private Placement were initially valued at $92,000, assuming a volatility of 83% and a risk free rate of 1.0% and an expected 2 year life.

Tabular amounts expressed in thousands of US Dollars

The 21,450,000 share purchase warrants issued as part of the 2015 financing were initially valued at $1,521,000, assuming a volatility of 84.67% and a risk free rate of 0.25% and an expected 2 year life.

The following table sets out details of the warrants issued that were outstanding at December 31, 2016 and 2015.

Warrants issued	Expiry date	No. warrants	Fair value at inception	Fair value at Dec 31, 2015	Fair value at Dec 31, 2016
			US$'000	US$'000	US$'000
20c July 17, 2014	January 17, 2017	*65,786,400	2,399	3,792	544
20c August 19, 2014	February 19, 2017	1,800,000	66	104	15
25c September 18, 2014	September 18, 2016	*2,000,000	92	99	-
40c May 7, 2015	May 7, 2017	21,450,000	1,521	817	90
		91,036,400	**4,078**	**4,812**	**649**

*1,266,700 warrants with issue price of C$0.2 per share and *2,000,000 warrants with issue price of C$0.25 per share were exercised during the year

Fair value hierarchy

The following table sets out the financial assets and liabilities measured at fair value at December 31, 2016 and at December 31, 2015 by level within the fair value hierarchy:

$'000 December 31, 2016	Total	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	3,720	3,720	-	-
Liabilities				
Derivative financial liabilities	(649)	-	(649)	-

$'000 December 31, 2015	Total	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	7,211	7,211	-	-
Liabilities				
Derivative financial liabilities	(4,812)	-	(4,812)	-

The cash and cash equivalents are classified as level 1 of the fair value hierarchy because they are valued using current market prices.

Tabular amounts expressed in thousands of US Dollars

The derivative financial liabilities are classified as level 2 of the fair view hierarchy because the share purchase warrants contracts are valued using techniques that are based upon quoted prices in an active market.

The Group does not acquire, hold or issue financial instruments for trading purposes. The estimated fair values of the Group's financial instruments approximate carrying values at December 31, 2016 and 2015, there were no transfers between level 1 and level 2 fair value measurements in either year.

19. Share Capital

	No.	$'000
At January 1, 2015	261,430,124	56,809
Issued during the year	42,900,000	7,172
At December 31, 2015	304,330,124	63,981
Issued during the year	5,599,476	874
At December 31, 2016	309,929,600	64,855

The following shares were issued in the year to December 31, 2016 by way of:

Warrants/options exercised	Issue price Per share C$	No of shares issued	Value $'000
Broker warrants	0.15	2,032,776	236
Warrants	0.25	2,000,000	383
Warrants	0.20	1,266,700	195
LTIP options	0.25	300,000	60
		5,599,476	**874**

Avnel's authorised share capital consists of an unlimited number of common shares of no par value. The total number of common shares issued is shown above and in the Consolidated Statement of Changes in Equity.

Tabular amounts expressed in thousands of US Dollars

20. Warrant/option reserve

	2016 $'000	2015 $'000
At January 1, 2016	3,120	2,836
Broker warrants granted during the year	-	238
LTIP options and share performance units granted during the year	377	46
Warrants exercised during the year	(103)	-
LTIP options exercised during the year	(30)	-
LTIP options expired during the year	(671)	-
At December 31, 2016	2,693	3,120

The warrant/option reserve includes warrants issued to brokers as part of financings undertaken by the Company as well as stock based compensation options and share performance units issued to employees. On expiration or exercise of the warrants/options the fair value recognised at grant date is transferred to retained earnings.

Long term incentive plan options and share performance units were granted to members of staff as compensation for their services. The fair value of each stock option or share performance unit granted is estimated on the date of the grant using the Black-Scholes option pricing model.

These long term incentive plan options and share performance units granted fall within the scope of IFRS 2 as their issuance represents an equity based payment to employees. As the fair value of the equity instrument can be reliably measured, this is the fair value recognised by Avnel, and is recorded within the warrant/option reserve.

The fair value of each option/share performance unit granted is estimated on the date of the grant using the Black-Scholes option pricing model and the related stock-based compensation expense is recognised over the vesting period. Compensation charged amounted to $377,000 (2015: $46,000).

In connection with the 2014 private placements the Company issued 2,032,776 warrants and 810,000 rights to the brokers. Each warrant entitles the holder to purchase one ordinary share of Avnel at a price of C$0.15 at any time for a period of 24 months from the date of issue of the warrants. Each right entitles the holder to purchase one ordinary share of Avnel at the price of C$0.20 at any time for a period of 30 months from the date of issue of the rights. The 2,032,776 warrants were exercised in 2016.

In connection with the May 2015 financing the Company issued 2,378,000 broker warrants. Each warrant entitles the holder to purchase one ordinary share of Avnel at a price of C$0.27 at any time for a period of 24 months expiring May 7, 2017.

Tabular amounts expressed in thousands of US Dollars

21. Commitments and operating leases

Future commitments under operating leases are as follows:

	2016 $'000	2015 $'000
For operating lease commitments:		
Within one year	129	72
Within two to five years	301	24
	430	96

The Company renewed an operating lease on July 1, 2016 for office space with a company related to the Fern Trust, a shareholder of the Company. Pursuant to this lease which expire in June 2020, future minimum payments will amount to $422,000 (2015: $72,000). The Company has paid $152,000 and this has been recognised as part of administrative expenses for the year.

The Company has entered into an operating lease for an office building in Bamako, Mali. The lease expires in June 2017, future minimum payments will amount to $8,000.

22. Financial risk management

The Group is exposed to credit, liquidity, interest rate, exchange, and commodity price risk. The Group's senior management oversees the management of these risks and is supported by the Group's policies and procedures which are approved by the Board. It is the Group's policy that no trading in derivatives for speculation is undertaken.

The Company's main operating subsidiary is incorporated under the laws of Mali, and its principal mining facilities are located in Mali. Accordingly, the Company is directly affected by political and economic conditions in Mali. There can be no assurance that the Government of Mali will be successful in its attempt to keep prices and exchange rates stable. Instability in Mali may have a material adverse effect on the Company.

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.

Tabular amounts expressed in thousands of US Dollars

Credit Risk

The credit risk in relation to financial instruments is the risk that a third party might fail to fulfil its performance obligations under the terms of a financial instrument. The Company holds the majority of its cash and cash equivalents at large by reputable financial institutions. A table showing the concentration of credit risk as at December 31, 2016 is shown below.

	2016 $'000	2015 $'000
Cash and cash equivalents	3,720	7,211
Number of counterparties	2	2

Liquidity Risk

The Group constantly monitors the cash outflows from day to day business and monitors longer term liabilities to ensure that liquidity is maintained.
At the balance sheet date the Group's short term financial liabilities, all of which are due within three months, are as follows:

	2016 $'000	2015 $'000
Trade creditors	1,362	1,311
Accrued expenses	1,519	937
	2,881	2,248

The other derivative financial liability recorded on December 31, 2016 of $649,000 (2015: $4,812,00) relates to warrants issued by the Company which will be settled in shares and therefore is not included in the liquidity table above as there will be no cash outflow.

Interest Rate Risk

	Weighted Average Interest rate	At December 31, 2016	Weighted Average Interest rate	At December 31, 2015
	%	$'000	%	$'000
Cash and cash equivalents	0.20	3,720	0.09	7,211
Net cash	0.20	3,720	0.09	7,211

Tabular amounts expressed in thousands of US Dollars

Foreign Exchange Risk
The Group's cash balances at December 31, 2016 and 2015 consisted of the following currency holdings:

	2016 $'000	2015 $'000
US dollars	2,423	6,523
Canadian Dollars	1,218	552
Sterling	32	39
CFA	46	92
South African Rand	1	5
	3,720	7,211

The Group may be exposed to transactional foreign exchange risk due to its transactions not being matched in the same currency. The Group has no currency hedging in place.

Local currency costs in Mali, West Africa accounted for approximately 90% of the operating costs in 2016. The CFA is fixed to the Euro and the CFA exchange rate against the US dollar has fluctuated by 11% during 2016 from a low of CFA 568 to a high of CFA 629 averaging at CFA 593 to the US dollar. If the CFA strengthened by 10% during the year, the net loss of the Company would increase by approximately $0.93 million. It should be noted that the adverse impact on costs of a weakening US dollar is likely to be mitigated by an increase in the gold price as gold sales are denominated in US dollars.

Commodity Price Risk
The Group faces risk in respect of its exposure to gold prices. Gold prices are subject to significant fluctuation and are affected by a number of factors which are beyond Avnel's control. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world. The price of gold and base metals has fluctuated widely over the past 10 years.

In 2016, all of the Group's gold production was sold at spot prices. If the gold spot price had reduced by 10% the Group's loss would have increased by $1.2 million.

Capital Management Policy
The Group's policy when managing its capital is to safeguard its accumulated capital (cash and cash equivalents) in order to fund the ongoing operations and the future development of the Kalana Permit. To safeguard capital and mitigate risk the Group invests its surplus capital in highly liquid, highly rated institutions. The Group reviews its cash flow forecasts very closely to make sure its capital policy is achieved. The Group's cash position is shown above.

23. Related Party Transactions
As described in note 21, the Company has entered into an operating lease for office space with the Fern Trust, a shareholder of the Company. Rent expense amounted to $152,000 (2015: $150,000) and the amount of the lease outstanding, but not due, at December 31, 2016 was

Tabular amounts expressed in thousands of US Dollars

$422,000 (2015: $72,000). The rental payments are denominated in Sterling so the U.S. Dollar amount payable is subject to fluctuation with the movement in exchange rates between Sterling and the U.S. Dollar.

SOMIKA purchased $286,000 of explosives during 2016 (2015: $357,000) from African Explosives Limited ("AEL"). Mr. Ibrahim Kantao, a director of Avnel and SOMIKA, is also the Director-General of AEL Mali.

Anne-Severine Le Doare was appointed a director of the Company on October 25, 2016. She has a consulting agreement with the Company to provide Malian tax and legal advice. Consulting costs charged to the Company in 2016 since becoming a director was $12,472.

Remuneration of key management personnel

In accordance with IAS 24- Related party transactions, key management personnel, including all executive and non-executive directors, are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

	2016	**2015**
	$'000	**$'000**
Wages and salaries	1,502	1,267
Directors' fees	110	101
	1,612	1,368

Key Management's interests in the Long Term Incentive Plan (LTIP)

Share options held by key management personnel including executive and non-executive directors under the Company's Long Term Incentive Plan to purchase ordinary shares have the following expiry dates and exercise prices:

Issue Date	Expiry date	Exercise price	Number outstanding 2016	Number outstanding 2015
13/08/2008	06/08/2018	C$0.45	1,100,000	1,500,000
01/01/2011	31/12/2016	C$0.35	-	500,000
15/11/2011	15/11/2021	C$0.60	1,000,000	1,500,000
25/03/2013	25/03/2023	C$0.35	50,000	50,000
05/09/2014	05/09/2019	C$0.20	660,000	660,000
05/09/2014	05/09/2019	C$0.25	-	300,000
24/08/2016	24/08/2026	C$0.45	400,000	-
24/08/2016	24/08/2026	C$0.60	400,000	-
Total			**3,610,000**	**4,510,000**

Tabular amounts expressed in thousands of US Dollars

Share performance units held by key management personnel including executive and non-executive directors under the Company's Long Term Incentive Plan that vest to ordinary shares have the following expiry dates and vesting price:

Issue date	Expiry date	Type	Date of vesting	Vesting price (C$)	Number outstanding 2016	Number outstanding 2015
August 10, 2016	August 10, 2019	Performance units	August 10, 2019	0.50	1,100,000	0
October 19,2016	October 19, 2019	Performance units	October 19, 2019	0.50	3,305,000	0
Total					**4,405,000**	**0**

In addition share options held by Mr. Roy Meade under the Company's CEO Compensation Option Continuation scheme to purchase ordinary shares have the following expiry dates and exercise prices:

Issue Date	Expiry date	Exercise price	Number outstanding 2016	Number outstanding 2015
23/02/2005	23/02/2023	C$0.327	2,500,000	2,500,000
Total			**2,500,000**	**2,500,000**

The table below sets out charges during the year and balances at December 31, 2016 and December 31, 2015 between the Company and Group companies that were not wholly owned, in respect of management fees and interest on loans.

$'000 **2016**	Avnel Gold Mining Limited	Avnel Gold Mining Limited	$'000 **2015**	Avnel Gold Mining Limited	Avnel Gold Mining Limited
	Charged in year	Balance Dec 31, 2016		Charged in year	Balance Dec 31, 2015
SOMIKA	7,681	91,978		6,691	83,030
Total	**7,681**	**91,978**		**6,691**	**83,030**

24. Share Based Payment Plans

At December 31, 2016, the Company has two share based payments plans, they are as follows:

(i) Stock Options and Share Performance Units under the Long Term Incentive Plan

On February 23, 2005, the board of directors of Avnel adopted the Company's Long Term Incentive Plan (the "Plan") effective upon the completion of the IPO Offering of June 30, 2005. The Plan was adopted by the board of directors in order to have a plan which complies with the rules and policies of the Toronto Stock Exchange in place upon completion of the IPO Offering. Under the terms of the Plan, options and share performance units can be granted to directors, employees or consultants of the Company. Other than the vesting date which can be determined by the Board of the Company as it sees appropriate, the terms and conditions applicable to the consultants' options are the same as for directors and employees. Options and share performance units granted under the Plan are subject to the following terms and conditions:

The Company's Long Term Incentive plan was re-approved on May 29, 2008, May 24, 2012, and again on April 17, 2015.

(a) The number of Shares which may be issued from the treasury of the Company under this Performance Program is limited to 5% of the outstanding issue of such Shares. The number of Shares which may be issued pursuant to the Performance Program to any one person shall not exceed 5% of the issued and outstanding voting securities of the Company. In each case, the Company may from time to time designate such other maximum number which, however, will not in any event exceed the maximum number permitted from time to time under the TSX Rules.

(b) The exercise price of an option shall not be lower than the closing price of the common shares on the TSX on the day immediately preceding the day of grant of such option.

(c) The Board of the Company shall determine the time during which any options/share performance units may vest and the method of vesting or that no vesting restriction shall exist.

(d) Options/ share performance units shall have a maximum term of ten years from the date of the grant, subject to any limits of any law or other regulatory body having jurisdiction.

(e) Unless otherwise determined by the Board of the Company, an option/share performance unit will terminate 90 days after an optionee ceases to be an eligible participant (i.e. upon ceasing to be a director, officer or consultant of the Company).

(f) In the event of the death of an eligible participant, the option/share performance unit will be exercisable, unless by its terms it sooner terminates or expires, within 90 days following such death by the persons to whom the eligible participant's rights, under the Plan, pass by will or the laws of descent and distribution, and

Tabular amounts expressed in thousands of US Dollars

(g) Options/share performance units are non-transferable without the consent of the Company's Board.

Generally, other than options that vest on the grant date, the period from grant date to vesting is between one and three years.

The table below summarises the stock options granted and outstanding at December 31, 2016.

	Shares	Weighted average exercise price
Stock Options		
Outstanding at December 31, 2015	5,135,000	C$ 0.41
Exercised	(300,000)	C$ 0.25
Expired	(500,000)	C$ 0.35
Granted	800,000	C$ 0.53
Outstanding at December 31, 2016	**5,135,000**	**C$ 0.44**

A summary of the fair values of the options outstanding is shown below:

Issue date	Vesting period (years)	Date of vesting	Expected life (years)	Risk free rate %	Exercise price C$	Share price at grant C$	Volatility %	Fair value C$	Number outstanding
13/08/08	0.0	13/08/08	10	4.0	0.45	0.15	40	0.39	1,500,000
15/11/11	0.5	24/05/12	10	3.25	0.60	0.52	75	0.39	1,500,000
25/03/13	0.0	25/03/13	10	1.25	0.35	0.265	57	0.16	50,000
05/09/14	1.0	05/09/15	4	1.75	0.20	0.18	83	0.12	245,000
05/09/14	2.0	05/09/16	3	1.75	0.20	0.18	83	0.12	120,000
05/09/14	0.0	05/09/14	5	1.75	0.20	0.18	83	0.12	920,000
24/08/16	0.5	24/02/17	10	1.75	0.45	0.35	71	0.13	400,000
24/08/16	0.5	24/02/17	10	1.75	0.60	0.35	71	0.13	400,000
					0.41				**5,135,000**

5,000,000 Employee Share Performance units were issued in 2016, and expiring in 2019, 50% of which will be exchanged for one Ordinary Share each if the Company's share price exceeds C$0.50 for 10 consecutive trading days. The remaining 50% of the units will be exchanged on the one year anniversary of the exchange of the first 50% of the units.

Tabular amounts expressed in thousands of US Dollars

The table below summarises the share performance units granted and outstanding at December 31, 2016.

	Shares
Share Performance Units	
Outstanding at December 31, 2015	-
Granted	5,000,000
Outstanding at December 31, 2016	**5,000,000**

A summary of the fair values of the share performance units outstanding is shown below:

Issue date	Vesting period (years)	Date of vesting	Expected life (years)	Risk free rate %	Vesting price C$	Share price at grant C$	Volatility %	Fair value C$	Number outstanding
10/08/16	0.25	10/11/16	3	1.75	0.50	0.35	71	0.13	1,100,000
19/10/16	0.25	19/01/17	3	1.75	0.50	0.25	71	0.08	3,900,000
									5,000,000

(ii) The Meade Compensation Option/ Continuation, Amendment and Restatement Option

On February 23, 2005, Avnel granted to Roy Meade, then Chief Executive Officer of Avnel, an option (the “Meade Compensation Option”) to acquire up to 2.5 million common shares of Avnel at an exercise price per share of the Canadian Dollar equivalent of US$0.275. One third of the option was exercisable on June 30, 2005, one-third on February 23, 2006 and the remaining one-third was exercisable on February 23, 2007. The maximum number of options that can be issued under the Meade Compensation Option is 2.5 million. As at December 31, 2007, none of these options had been exercised. Mr. Meade’s entitlement to any unexercised portion of the Meade Compensation Option will terminate in the event he leaves employment of Avnel at his own volition prior to the latest exercise date. The Meade Compensation Options do not form part of Avnel’s Stock Option Plan. Mr Meade was appointed Director Mining on January 1, 2009 and the changes to the terms of these options were approved by shareholders at the 2009 Annual General Meeting. On May 27, 2009, the Annual General Meeting of Shareholders approved the Continuation, Amendment and Restatement of the Meade Compensation option which extended the latest exercise date to February 23, 2013. The further extension of the option expiry date from February 23, 2013 to February 23, 2023, was approved by shareholders at the Company’s Annual General Meeting held on May 23, 2013. Mr Meade was appointed President on March 30, 2015.

Tabular amounts expressed in thousands of US Dollars

At the time of the Company's reorganisation referred to in Note 1, the Meade Compensation Option was granted to replace the existing arrangement between Mr Meade and Avnel Cayman in September 2003 under which no compensation was recorded as performance conditions were not met.

Meade Compensation Option

Issue date	Vesting period (years)	Date of vesting	Expected life (years)	Risk free rate %	Exercise price C$	Share price at grant C$	Volatility %	Fair value C$	Number outstanding
23/02/05	0.3	30/06/05	18	4.0	0.327	1.00	40	0.381	833,333
23/02/05	1.0	23/02/06	17	4.0	0.327	1.00	40	0.381	833,333
23/02/05	2.0	23/02/07	16	4.0	0.327	1.00	40	0.381	833,334
				4.0	**0.327**	**1.00**	**40**	**0.381**	**2,500,000**

Summary of Options Granted

The fair value of the options/share performance units under the Long term Incentive Plan and the Meade Compensation Option have been estimated using the Binomial option model with the following assumptions:

Risk-free interest rate	1.25% - 4.2%
Expected option term	16- 18 years
Expected volatility	40% - 83%
Expected dividend yield	nil %

The maximum expected term of eighteen years has been used as Avnel does not have any previous history of issuing options and has no reason to conclude that a shorter term is more appropriate. The interest rate assumptions used are available by reference to Canadian market data. Expected volatility is based on three year's company share price information prior to the grant date, using a weekly calculation interval.

For the year ended December 31, 2016 administration expense includes stock option and share performance units granted relating to all employees of $377,000 (2015: $46,000) and the corresponding amount has been credited to Warrant/option reserve.

Tabular amounts expressed in thousands of US Dollars

A summary of the all broker warrants (Refer to Note 20), share performance units, and options or rights to purchase common shares of Avnel is shown in the following tables:

	As at December 31, 2014	**Forfeited or expired**	**Granted**	**Exercised**	**As at December 31, 2015**
Broker Warrants issued on Bought deal on May 7, 2015 @ C$0.27	**-**	-	2,378,000	-	**2,378,000**
Broker Warrants issued on private placement on July 17, 2014 @ C$0.15	**2,032,776**	-	-	-	**2,032,776**
Broker Warrant rights on private placement on July 17, 2014 @ C$0.20	**810,000**	-	-	-	**810,000**
Stock Option Plan	**6,704,000**	(1,569,000)	-	-	**5,135,000**
Meade Compensation Option	**2,500,000**	-	-	-	**2,500,000**
Options or rights to purchase common shares	**12,046,776**	**(1,569,000)**	**2,378,000**	-	**12,855,776**

	As at December 31, 2015	**Forfeited or expired**	**Granted**	**Exercised**	**As at December 31, 2016**
Broker Warrants issued on Bought deal on May 7, 2015 @ C$0.27	**2,378,000**	-	-	-	**2,378,000**
Broker Warrants issued on private placement on July 17, 2014 @ C$0.15	**2,032,776**	-	-	(2,032,776)	**-**
Broker Warrant rights on private placement on July 17, 2014 @ C$0.20	**810,000**	-	-	-	**810,000**
Stock Option Plan	**5,135,000**	(500,000)	800,000	(300,000)	**5,135,000**
Share Performance units	**-**	-	5,000,000	-	**5,000,000**
Meade Compensation Option	**2,500,000**	-	-	-	**2,500,000**
Options or rights to purchase common shares	**12,855,776**	**(500,000)**	**5,800,000**	(2,332,776)	**15,823,000**

Tabular amounts expressed in thousands of US Dollars

25. Taxation

The Company's corporate income tax expense/ (credit) for the years ended December 31, 2016 and 2015 are as follows:

Current tax:	2016 $'000	2015 $'000
Corporate income tax on profit for the period	-	-
	-	-
Deferred tax	3	-
Tax charge/ (credit) for the period	3	-

The Company's statutory income tax rate for the years ended December 31, 2016 and 2015 is nil.
Reconciliation between tax expense/ (credit) and Guernsey's income tax rate of 0%:

	2016 $'000	2015 $'000
Accounting loss before tax	(281)	(2,848)
Profit/(loss) for the period multiplied by effective tax rate 0%	-	-
Movement in deferred tax	3	-
	3	-

Reconciliation of deferred tax liabilities, net

	2016 $'000	2015 $'000
As at January 1		
Tax charge during the period recognised in profit or loss – accelerated capital allowances	3	-
		-
	3	

Other than the deferred tax that has been provided in respect of accelerated capital allowances in the UK, the components of deferred income taxes, net as of December 31, 2016 and 2015 are as follows:

Tabular amounts expressed in thousands of US Dollars

Deferred taxes:	2016 $'000	2015 $'000
Property, plant and equipment	(1,153)	(1,110)
Tax losses and credits	(16,086)	(11,164)
Unrecognised deferred tax assets	(17,239)	(12,274)
Net deferred tax asset	Nil	Nil

Unrecognised tax losses and credits amount to a total of $46.0m of which $31.7m relate to Malian tax losses for the period of 2014 and 2015 which will expire in 3 years, i.e. 2017 and 2018 respectively. The remaining tax losses and credits of $14.9m can be carried forward indefinitely.

No other material deferred tax assets and liabilities resulting from temporary differences in recognition of income and expenses for tax and financial reporting purposes existed at December 31, 2016 and 2015.

26. Contingent Liability

Malian Taxation

The three-year period Malian tax audit on SOMIKA for the years ended 2009, 2010 and 2011 was carried out during 2012 and resulted in a partial report received in December 2012 covering only the 2009 year. A further report covering 2010 and 2011 was received in November 2013. The inspector was claiming $7.2 million including penalties, disputing various tax items including tax allowances on interest, withholding tax on foreign suppliers and VAT exemption. Management believed strongly that the majority of the tax claims were incorrect and took external advice. Management responded to the inspector in December 2013 contesting the claim and held a working clarification meeting in January 2014. A reassessment was received on July 14, 2014 for $6.5 million, and on July 16, 2014, a letter disputing the re-assessment was sent by the Company to the Malian tax authorities and a further reassessment was received on November 25, 2016 reducing the claim to $1.4 million which does not give rise to an obligation to pay and discussions continue.

The tax audit of SOMIKA for the years ended 2012, 2013 and 2014 commenced in December 2015. A claim was received on December 9, 2016 for $6.5 million. Management believe that the majority of tax claims are incorrect and after receiving external advice sent a response letter disputing the claim on February 7, 2017.

Tabular amounts expressed in thousands of US Dollars

27. Partly owned subsidiaries

Financial information of SOMIKA SA, a subsidiary which has a non-controlling interest, is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operation	2016 $'000	2015 $'000
SOMIKA SA	Mali	20%	20%
Accumulated balances of material non-controlling interest		(16,862)	(15,189)
Net loss attributable to material non-controlling interest		(1,518)	(1,634)
Total comprehensive loss attributable to material non-controlling interest		(1,673)	(2,019)

The summarised financial information of this subsidiary is provided below. This information is based on amounts before consolidation adjustments.

Summarised income statement for the year ended December 31:

	2016 $'000	2015 $'000
Revenue	12,031	11,360
Cost of operations	(21,408)	(21,477)
Gross loss	**(9,377)**	**(10,117)**
Finance expense	(7,251)	(6,285)
Loss before tax	**(16,628)**	**(16,402)**
Income tax expense	-	-
Loss after tax	**(16,628)**	**(16,402)**

Tabular amounts expressed in thousands of US Dollars

Summarised statement of financial position for the year ended December 31:

	2016	**2015**
	$'000	**$'000**
Current assets	3,007	3,655
Non-current assets	47,896	47,406
Total assets	50,903	51,061
Current liabilities	124,967	116,320
Total liabilities	124,967	116,320
Total Equity	(74,064)	(65,259)

Summarised cash flow information for year ending 31 December:

	2016	**2015**
	$'000	**$'000**
Operating	(6,845)	(6,013)
Investing	(2,085)	(6,445)
Financing	8,884	12,492
Net cash inflow/(outflow)	**(46)**	**34**

The following subsidiaries are 100% owned:

	Country of incorporation and operation
Kalana Mine Services Limited	U.K
Avnel Gold, Limited	Cayman Islands
Avnel Mali SARL	Mali

28. Post Balance Sheet Event

In January 2017, 65,263,700 warrants, issued on July 17, 2014, which entitled the holders thereof to purchase one Ordinary Share at a price of C$0.20 per share at any time until January 17, 2017, were exercised for aggregate proceeds of $9,929,000. A further 1,800,000 warrants which entitled the holders thereof to purchase one Ordinary Share at a price of C$20c per share were exercised on February 16, 2017 for aggregate proceeds of $276,000.