AVNEL GOLD MINING LIMITED
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2010

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

"Howard Miller"	"Alan McFarlane"
Howard Miller	Alan McFarlane
Chief Executive Officer	Vice President Finance

Avnel Gold Mining Limited

Consolidated Balance Sheets

March 31, 2010 and December 31, 2009

Expressed in thousands of US Dollars

	Mar 31 2010 unaudited	Dec 31 2009 audited
ASSETS		
Cash and cash equivalents	1,051	2,027
Inventories	2,644	3,500
Prepaid and other assets	1,124	1,096
Total current assets	4,819	6,623
Property, plant and equipment, at cost		
Mining properties and capitalised mine development costs	23,143	23,092
Other property and equipment	9,782	9,782
	32,925	32,874
Accumulated depreciation	14,557	13,967
Net property, plant and equipment	18,368	18,907
Total Assets	23,187	25,530

LIABILITIES AND STOCKHOLDERS' EQUITY

	Mar 31 2010	Dec 31 2009
Accounts payable	880	1,036
Tax creditor	1,551	1,515
Other accrued liabilities	2,962	2,865
Short term debt	13,872	13,986
Total current liabilities	19,265	19,402
Retirement and rehabilitation obligations	1,016	989
Total liabilities	20,281	20,391
STOCKHOLDERS' EQUITY		
Common stock: Authorised – unlimited number of ordinary shares of no par value Issued and outstanding 81,893,392 (2009:80,762,954)	28,608	28,435
Additional paid in capital	4,898	4,898
Retained deficit	(30,585)	(28,184)
Accumulated and other comprehensive income	(15)	(10)
Total stockholders' equity	2,906	5,139
Total Liabilities and Stockholders' Equity	23,187	25,530

Avnel Gold Mining Limited

Consolidated Statement of Operations and Comprehensive Income

For the period ended March 31, 2010 and March 31, 2009

Expressed in thousands of US Dollars

(except share and per share information)

	3 months ended Mar-31 2010 unaudited	3 months ended Mar-31 2009 unaudited
REVENUE		
Metal revenue	3,582	6,484
EXPENSES		
Operating	3,818	5,180
Depreciation	590	2,145
Exploration	-	149
Administration expense	477	618
Total expenses	4,885	8,092
Loss from operations	(1,303)	(1,608)
Other expense		
Interest expense	(134)	(170)
Exchange loss	(963)	(1,312)
Total other expense	(1,097)	(1,482)
Loss before tax	(2,400)	(3,090)
Income tax expense	(1)	(1)
Net loss	(2,401)	(3,091)
Loss per share	(0.029)	(0.041)
Weighted average shares outstanding	81,792,909	75,844,572

Avnel Gold Mining Limited

Consolidated Statement of Cash Flows

For the period ended March 31, 2010 and March 31, 2009

Expressed in thousands of US Dollars

	3 months ended Mar-31 2010 unaudited	3 months ended Mar-31 2009 unaudited
Cash flows from operating activities:		
Loss from continuing operations	(2,401)	(3,091)
Non cash items		
Depreciation	590	2,145
Change in reclamation liability	27	20
Stock based compensation	0	0
Change in tax creditor	36	56
Changes in operating assets and liabilities		
Inventories	856	1,573
Prepaid and other assets	(28)	226
Accounts payable	(156)	468
Other accrued liabilities	265	301
Net cash (used)/provided by operating activities	(811)	1,698
Cash flows from investing activities:		
Purchases and development of property and equipment	(51)	(512)
Net cash used in investing activities	(51)	(512)
Cash flows from financing activities:		
Issue of share capital	0	0
Repayment of overdrafts	(114)	0
Net cash used by financing activities	(114)	0
Net increase in cash and cash equivalents	(976)	1,186
Cash and cash equivalents at beginning of period	2,027	277
Cash and cash equivalents at end of period	1,051	1,463

Avnel Gold Mining Limited

Consolidated Statement of Changes in Stockholders' Equity

	Common Stock		Additional Paid in	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Income/(loss)	Equity
At December 31, 2008	73,909,372	28,093	4,898	(20,289)	(37)	12,665
Issuance of common stock in payment of interest	5,277,817	135	-	-	-	135
Net loss	-	-		(3,091)		(3,091)
Other comprehensive gain						
Exchange profit	-	-		-	14	14
Comprehensive loss						(3,077)
At March 31, 2009	79,187,189	28,228	4,898	(23,380)	(23)	9,723
Issuance of common stock in payment of interest	1,575,765	207	-	-		207
Net loss	-	-		(4,804)		(4,804)
Other comprehensive loss						
Exchange profit	-	-		-	13	13
Comprehensive loss						(4,791)
At December 31, 2009	80,762,954	28,435	4,898	(28,184)	(10)	5,139
Issuance of common stock in payment of interest	1,130,438	173	-	-	-	173
Net loss	-	-		(2,401)		(2,401)
Exchange profit	-	-		-	(5)	(5)
Comprehensive loss						(2,406)
At March 31, 2010	**81,893,392**	**28,608**	**4,898**	**(30,585)**	**(15)**	**2,906**

Avnel Gold Mining Limited
Notes to the Unaudited Consolidated Financial Statements
For the period ended March 31, 2010

1. Nature of Operations, Liquidity and going concern

Nature of operations

Avnel Gold Mining Limited (the "Company") was incorporated under the laws of Guernsey on February 18, 2005. On February 22, 2005, Elliott Associates L.P., Elliott International L.P. (collectively "Elliott") and Fern Trust ("Fern") acquired 100% of the issued and outstanding common shares of the Company in exchange for 95% of the issued and outstanding shares of Avnel Gold, Limited, a company incorporated in the Cayman Islands, pursuant to a reorganization agreement. Under the reorganization agreement, obligations of Avnel Gold, Limited to Elliott and Fern in respect of existing shareholder loans of Avnel Gold, Limited were assumed by the Company. The reorganization has been accounted for as an exchange between entities under common control whereby the assets and liabilities of the Avnel Gold, Limited group are initially recognized at their carrying amounts in the accounts of the Avnel Gold Mining Limited group at the date of the transfer. The Company's principal assets are an 80% indirect interest in Societe des Mines d'Or De Kalana ("SOMIKA") and a 90% indirect interest in the Fougadian Exploration Permit.

Liquidity and going concern

The consolidated financial statements have been presented on the basis that the Company is a going concern. Accordingly, the financial statements do not include adjustments relating to the carrying value of assets, the amounts and classification of liabilities, or other adjustments that might result should the Company be unable to continue as a going concern.

The Company has total current liability debts of $13.9 million, due for repayment on June 30, 2010, all of which is due to related parties and $2 million of which is secured. This debt repayment and the continuing operations of the Company are dependent on its ability to restructure and re-negotiate the debt and/or obtain additional financing. The Lead Director, together with members of the independent committee of the board of directors and in conjunction with management, is engaged in discussions and negotiations with the major creditors of the Company (Elliott and the Fern Trust) regarding proposals for the restructuring of the debt, including possible equitization, and with brokers and financial advisors in regard to such potential debt restructure and a possible equity issue.

There is a risk that additional financing will not be available on a timely basis or on acceptable terms. In the event that the Company is unable to repay this debt, refinance such debt, or secure additional financing, the Company will not be able to continue as a going concern, and material adjustments would be required to the carrying value of the assets and liabilities and the balance sheet classifications used.

The Company's cash flow is dependent on the volume of production, gold prices, operating costs, interest rates on borrowings and investments and discretionary expenditure levels including exploration, resource development and general and administrative costs as well as obtaining new sources of finance. With the world economy moving slowly out of recession, sources of finance are still difficult to obtain and are expensive.

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

2. Interim Accounting Policy

The accompanying unaudited consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly in accordance with accounting principles generally accepted in the United States, the financial position of the Company and the results of its operations and cash flows for the period ended March 31, 2010. Although the Company believes that disclosure in these financial statements is adequate to make the information presented not misleading, certain information and foot note information normally included in annual financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These financial statements are prepared using the same accounting policies and method of application as those disclosed in Note 3 to the consolidated financial statements of the Company for the year ended December 31, 2009.

Results of operations for the period ended March 31, 2010 are not necessarily indicative of what operating results may be for the full year. In addition, these unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009.

3. Share Capital

The Company may elect to pay the interest payable on its convertible loan notes in common shares in lieu of cash. The number of shares payable in lieu of interest is calculated by dividing the cash value of the interest payable by the U.S. Dollar equivalent of the 20-day weighted average trading price of the common shares with the last day being five trading days before the interest payment date. During the period, the Company issued 1,130,438 common shares of the Company in settlement of the $172,865 interest accrued to December 31, 2009.

4. Commitments and Contingencies

The Company has entered into operating leases for office space and equipment with a company related to Fern. Pursuant to these leases which expire in June 2012, future minimum payments will amount to £172,000 up until the end of the lease, which at the March 2010 year end exchange rate, is equivalent to $259,000.

The Company has entered into an operating lease for an office building in Bamako, Mali. The lease expires in June 2010. The remaining commitment at March 31, 2010 is $3,000.

5. Short Term Debt

All debt of the Company is short term and is with related parties.

Included in the short term debt is a secured bridge loan with a related party of $2,000,000. The loan matures on June 30, 2010 and bears interest at a rate of 10% per annum, payable bi-annually.

The Company also has unsecured term loans provided by related parties with an aggregate principle amount outstanding of $880,000, bearing interest at a rate of 8% payable bi-annually. The term loans are due for repayment on June 30, 2010.

Other debt of the Company consists of convertible loans provided by Elliott International L.P. and Elliott Associates L.P. (collectively "Elliott") and the Fern Trust, the two major shareholders of Avnel (the "Shareholder Loans") with an aggregate principal amount outstanding of $10,941,000. The convertible loan notes mature on June 30, 2010.

Each convertible loan note is convertible by the holder into common shares of Avnel (the "Common Shares") at Cdn$0.898299 per common share and bears interest at the six month U.S. LIBOR rate plus 2% payable bi-annually. The Company may elect to pay the interest in Common Shares in lieu of cash and may, upon maturity, elect to repay the outstanding principal amount in Common Shares at Cdn$0.898299 per Common Share if the 40-day weighted average trading price of the Common Shares prior to the conversion date is equal to or greater than $1.20.

6. Related Party Transactions

The Company has entered into operating leases for office space with a company related to Fern. The Company incurred $30,000 in rental costs during the period ended March 31, 2010.

SOMIKA purchased $107,000 of explosives from African Explosives Limited ("AEL") during the three months ended March 31, 2010. Mr. Ibrahim Kantao, a director of the Company and SOMIKA, is also the Director-General of AEL Mali.

7. Canadian Generally Accepted Accounting Principles

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

Convertible Loan Notes

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

Under Canadian GAAP, the convertible loan notes liability would originally decrease by $916,000, and other paid in capital, included in shareholders' equity, would increase by $916,000. At March 31, 2010 the remaining balances to be amortised amounts to $46,000.

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

	2010	2009
Net (loss)/income under US GAAP	$ (2,401)	$ (3,091)
Accretion of convertible notes	(46)	(46)
Net (loss)/income under Canadian GAAP	$ (2,447)	$ (3,137)
Net (loss)/income per share under Canadian GAAP	$ (0.03)	$ (0.041)

8. Contingent Liability

The three year period Malian tax audit on SOMIKA for years ended 2005, 2006 and 2007 was carried out during 2008 and resulted in a report received in November 2008 from the tax inspector disputing various tax items including tax allowances on interest, withholding tax on foreign suppliers and VAT exemption. Management took internal and external advice on these issues and held discussions with all parties involved. This resulted in a tax assessment in May 2009 of $210,000 and penalties of $220,000 for the period. The Company paid the tax assessment in October 2009 and believes that it has been relieved of the associated penalties.

In December 2009, the Company received a notice of outstanding payroll taxes $210,000, VAT $280,000 and penalties and interest $640,000 totalling $1.13 million.

Management have held further discussions with the Malian tax authorities and, after paying a further $210,000 in December 2009, believe that this contingent liability is fully covered on the basis that recoverable VAT and customs duties can be offset against this liability and therefore believe that no material tax liability exists at the balance sheet date.