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

June 30, 2010 and December 31, 2009

Expressed in thousands of US Dollars

	June 30 2010 unaudited	Dec 31 2009 audited
ASSETS		
Cash and cash equivalents	953	2,027
Inventories	2,788	3,500
Prepaid and other assets	1,033	1,096
Total current assets	4,774	6,623
Property, plant and equipment, at cost		
Mining properties and capitalised mine development costs	23,203	23,092
Other property and equipment	9,788	9,782
	32,991	32,874
Accumulated depreciation	15,014	13,967
Net property, plant and equipment	17,977	18,907
Total Assets	22,751	25,530
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	705	1,036
Tax creditor	1,587	1,515
Other accrued liabilities	4,510	2,865
Short term debt	13,821	13,986
Total current liabilities	20,623	19,402
Retirement and rehabilitation obligations	1,044	989
Total liabilities	21,667	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 Earnings	(32,406)	(28,184)
Accumulated and other comprehensive income	(16)	(10)
Total stockholders' equity	1,084	5,139
Total Liabilities and Stockholders' Equity	22,751	25,530

Avnel Gold Mining Limited
Consolidated Statement of Operations and Comprehensive Income
For the periods ended June 30, 2010 and 2009
Expressed in thousands of US Dollars
(except share and per share information)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
REVENUE				
Metal revenue	4,001	4,738	7,583	11,222
EXPENSES				
Operating	2,603	4,016	6,421	9,196
Depreciation	457	1,645	1,047	3,790
Exploration	0	199	0	348
Administration expense	520	573	997	1,191
	3,580	6,433	8,465	14,525
Profit/(Loss) from operations	421	(1,695)	(882)	(3,303)
Other income/(expense)				
Interest expense	(135)	(172)	(269)	(342)
Exchange gain/(loss)	(2,106)	474	(3,069)	(838)
Total other income/(expense)	(2,241)	302	(3,338)	(1,180)
Loss before tax	(1,820)	(1,393)	(4,220)	(4,483)
Income tax expense	(1)	(2)	(2)	(3)
Net loss	(1,821)	(1,395)	(4,222)	(4,486)
Loss per share	(0.022)	(0.018)	(0.052)	(0.058)
Weighted average shares outstanding	81,893,392	79,187,189	81,843,428	77,525,114

Avnel Gold Mining Limited

Consolidated Statement of Cash Flows

For the periods ended June 30, 2010 and 2009

Expressed in thousands of US Dollars

	Three months ended June 30		Six months ended June 30	
	2010	**2009**	**2010**	**2009**
Cash flows from operating activities:				
Loss from continuing operations	(1,821)	(1,395)	(4,222)	(4,486)
Non cash items				
Depreciation	456	1,645	1,046	3,790
Change in reclamation liability	28	35	55	55
Tax creditor	36	56	72	112
Changes in operating assets and liabilities				
Inventories	(144)	431	712	2,004
Prepaid and other assets	91	(62)	63	164
Accounts payable	(175)	(520)	(331)	(52)
Other accrued liabilities	1,548	(712)	1,813	(411)
Net cash provided/(used) by operating activities	19	(522)	(792)	1,176
Cash flows from investing activities:				
Purchases and development of property and equipment	(66)	(14)	(117)	(526)
Net cash used in investing activities	(66)	(14)	(117)	(526)
Cash flows from financing activities:				
Repayment of loans	(51)	-	(165)	-
Net cash provided by financing activities	(51)	-	(165)	-
Net (decrease)/increase in cash and cash equivalents	(98)	(536)	(1,074)	650
Cash and cash equivalents at beginning of period	1,051	1,463	2,027	277
Cash and cash equivalents at end of period	953	927	953	927

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	-	-		(4,222)		(4,222)
Exchange profit	-	-		-	(6)	(6)
Comprehensive loss						(4,228)
At June 30, 2010	**81,893,392**	**28,608**	**4,898**	**(32,406)**	**(16)**	**1,084**

Avnel Gold Mining Limited
Notes to the Unaudited Consolidated Financial Statements
For the period ended June 30, 2010

1. Nature of Operations and Liquidity

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

The 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 $13.8 million due for repayment on 30 June 2010. The maturity of this debt was rolled until August 5, to allow for the restructuring of the balance sheet.(see post balance sheet event)

The Company's cash flow and profitability is dependent primarily on the volume of production, gold prices, operating costs, interest rates on borrowings and investments and discretionary expenditure levels including exploration, resource development and general and administrative costs. With the world economy slowly coming out of recession sources of finance are difficult to obtain and more expensive. Since the Company has subsidiaries operating in UK, Mali and the Cayman Islands, exposure also arises from fluctuations in currency exchange rates, political risks and varying levels of taxation. While the Company seeks to manage these risks, many of these factors are beyond its control.

The 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 June 30, 2009. Although the Company believes that disclosure in these financial statements is adequate to make the information presented not misleading, certain information and foot note information normally included in annual financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These financial statements are prepared using the same accounting policies and method of application as those disclosed in Note 3 to the consolidated financial statements of the Company for the year ended December 31, 2009.

Results of operations for the period ended June 30, 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.

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 £159,000 up until the end of the lease, which at the June 30, 2010 exchange rate, is equivalent to $240,000.

The Company has entered into an operating lease for an office building in Bamako, Mali. The lease expires in June 2011. The remaining commitment at June 30, 201 is $4,000.

5. Short Term Debt

The Company restructured its balance sheet on August 5, 2010 (see post balance sheet event)

All debt of the Company at June 30, 2010 is short term and is with related parties

The Company had a secured bridge loan with a related party of $2,000,000 and bears interest at a rate of 10% per annum, payable bi-annually.
The loan maturity was extended from June 30, 2010 to August 5, 2010 to allow the private placement and debt equitisation to close.

The Company also had 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 were due for repayment on June 30, 2010, the loan maturity was extended from June 30, 2010 to August 5, 2010 to allow the private placement and debt equitisation to close.
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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 principle amount outstanding of $10,941,000. Each convertible loan note is convertible by the holder into 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. The convertible loan notes maturity was extended from June 30, 2010 to August 5, 2010 to allow the private placement and debt equitisation to close.

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 quarter ended June 30, 2010.

SOMIKA purchased $138,000 of explosives from African Explosives Limited ("AEL") during the three months ended June 30, 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.

The following table presents the net loss and loss per share for the six months to 30 June following Canadian GAAP:

		2010		**2009**
Net loss under US GAAP	$	(4,222)	$	(4,486)
Accretion of convertible notes	$	(92)	$	(92)
Net loss under Canadian GAAP	$	(4,314)	$	(4,578)
Net loss per share under Canadian GAAP	$	(0.053)	$	(0.058)

7. 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.

8. Post balance sheet event

On August 5, 2010 the Company completed a private placement (the "**Private Placement**") of 13,025,000 units of Avnel at a price of C$0.20 per Unit. Each Unit consisted of one ordinary share of Avnel and one-half of one ordinary share purchase warrant (each whole warrant a "**Warrant**"). Each Warrant entitles the holder to purchase one ordinary share of Avnel at a price of Cdn$0.35, at any time for a period of 36 months from the date of issue of the Warrants. Dundee Securities Corporation was the lead agent for the Private Placement. The gross proceeds of the Private Placement was C$2,605,000 and Avnel intends to use these proceeds for general corporate purposes. IAMGOLD participated in the Private Placement purchasing 5,000,000 units being 3% of the outstanding common shares. On August 10, 2010 IAMGOLD paid the second Kalana Joint Venture option fee of US$1,000,000.

Concurrently with the closing of the Private Placement, Avnel equitised all of its outstanding indebtedness through the issuance of 71,492,382 Units to the holders of such indebtedness at the Issue Price. These transactions eliminated all of Avnel's debt and provide the Company with enhanced financial strength through a debt-free balance sheet to continue working with IAMGOLD to advance the Company's goal of fully exploring the upside potential at its Kalana mine and Permit.