AVNEL GOLD MINING LIMITED
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2012

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) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union and conform to IAS34 interim financial statements. There have been no changes to the Group's accounting policies during the year. The interim financial statements have not been audited and have been prepared by management.

"Howard Miller"	"Alan McFarlane"
Howard Miller	Alan McFarlane
Chief Executive Officer	Chief Financial Officer

Avnel Gold Mining Limited

Condensed consolidated statement of financial position

June 30, 2012 and December 31, 2011

Expressed in thousands of US Dollars

	Notes	June 30 2012 $'000	December 31 2011 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	16,514	17,692
Total non-current assets		16,514	17,692
CURRENT ASSETS			
Inventories	7	3,564	3,702
Other receivables		1,668	961
Cash and cash equivalents	8	9,324	9,371
Total current assets		14,556	14,034
TOTAL ASSETS		31,070	31,726
CURRENT LIABILITIES			
Trade and other payables	10	2,015	1,976
Other derivative financial liability	11*	-	1,275
Total current liabilities		2,015	3,251
NON-CURRENT LIABILITIES			
Other derivative financial liability	11*	474	6,643
Provisions	12	3,741	3,623
Total non-current liabilities		4,215	10,266
Net Assets		24,840	18,209
EQUITY			
Common equity: Authorised - unlimited number of ordinary shares of no par value Issued and outstanding 191,743,724 (2011:191,743,724)	13	50,550	50,550
Warrant/option reserve	14	6,365	5,921
Other comprehensive income		370	919
Retained deficit		(24,623)	(32,875)
Total shareholders' equity		32,662	24,515
Non controlling interest		(7,822)	(6,306)
Total Equity		24,840	18,209

Notes;

11* Share purchase warrants identified as a derivative financial instrument are accounted for as a liability but 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 Total Comprehensive Income. As the derivative liability is not a cash liability, the Company will exclude it when reporting working capital.

Avnel Gold Mining Limited

Condensed consolidated statement of total comprehensive income

For the periods ended June 30, 2012 and 2011

Expressed in thousands of US Dollars

(except share and per share information)

	Note	3 months ended June 30 2012 $'000	3 months ended June 30 2011 $'000 Restated	6 months ended June 30 2012 $'000	6 months ended June 30 2011 $'000 Restated
Revenue		4,393	3,918	9,427	6,416
Cost of operations					
Production costs		3,537	2,746	7,193	5,723
Depletion and depreciation	9	465	464	951	899
		4.002	3,210	8,144	6,622
Gross profit/(loss)		391	708	1,283	(206)
Administration expense		892	673	1,802	1,374
Operating (loss)/profit		(501)	35	(519)	(1,580)
Other income/(expense)					
Net profit/(loss) on other financial derivatives	11*	2,847	(506)	7,444	(7,358)
Other finance expense		(13)	-	(27)	-
Interest income		3	17	8	18
Foreign exchange gain/(loss)		(77)	(285)	(33)	(236)
		2,760	(774)	7,392	(7,576)
Profit/(loss) before tax from continuing operations		2,259	(739)	6,873	(9,156)
Taxation		-	-	-	-
Net profit/(loss)		2,259	(739)	6,873	(9,156)
Other comprehensive income:					
Exchange differences		(1,176)	(2)	(686)	985
Total comprehensive profit/(loss)		1,083	(741)	6,187	(8,171)
Attributable to:					
Equity holders of the parent		2,174	(620)	7,703	(7,858)
Non-controlling interests		(1,091)	(121)	(1,516)	(313)
Basic profit/(loss) per share	6	0.011	(0.003)	0.040	(0.044)
Diluted profit/(loss) per share	6	0.008	(0.003)	0.030	(0.044)

Notes;

11*Net profit/(loss) on financial derivative liabilities 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 reporting 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 Total Comprehensive Income. The associated liability has no cash cost or tax effect on the Company.

Avnel Gold Mining Limited

Consolidated Statement of Changes in Equity

For the periods ended June 30, 2012 and 2011, and the year ended December 31, 2011
Expressed in thousands of US Dollars

	Common Equity		Warrant/option	Retained	Foreign exchange reserve		Non –controlling	Total
	Shares	Amount	Reserve	Deficit		Total	interest	Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$,000
At December 31, 2010	**166,661,505**	**43,836**	**5,092**	**(28,550)**	**1,299**	**21,677**	**(5,657)**	**16,020**
Issuance of common stock for cash	25,000,000	8,097	631	-		8,728	-	8,728
Warrants exercised during the year	77,335	26	-	-		26		26
Issue costs	-	(1,410)	-	-		(1,410)	-	(1,410)
Stock based compensation	-	-	65	-		65	-	65
Exchange differences	-	-	-	-	785	785	200	985
Loss for the year	-	-	-	(8,643)	-	(8,643)	(513)	(9,156)
Total Comprehensive loss	-	-	-	(8,643)	785	(7,858)	(313)	(8,171)
At June 30, 2011	**191,738,840**	**50,549**	**5,788**	**(37,193)**	**2,084**	**21,228**	**(5,970)**	**15,258**
Warrants exercised during the year	4,884	1	-	-	-	1	-	1
Issue costs	-	-	-	-	-	-	-	-
Stock based compensation	-	-	133	-	-	133	-	133
Exchange differences	-	-	-	-	(1,165)	(1,165)	(295)	(1,460)
Loss for the year	-	-	-	4,318	-	4,318	(41)	4,277
Total Comprehensive loss	-	-	-	4,318	(1,165)	3,153	(336)	2,817
At December 31, 2011	**191,743,724**	**50,550**	**5,921**	**(32,875)**	**919**	**24,515**	**(6,306)**	**18,209**
Stock based compensation	-	-	444	-	-	444	-	444
Exchange differences	-	-	-	-	(549)	(549)	(137)	(686)
Profit/(loss) for the year	-	-	-	8,252	-	8,252	(1,379)	6,873
Total Comprehensive profit/(loss)	-	-	-	8,252	(549)	7,703	(1,516)	6,187
At June 30, 2012	**191,743,724**	**50,550**	**6,365**	**(24,623)**	**370**	**32,662**	**(7,822)**	**24,840**

Avnel Gold Mining Limited
Consolidated Statement of Cash Flows
For the six months ended June 30 2012 and 2011
Expressed in thousands of US Dollars

	June 30 2012 $'000	June 30 2011 $'000 Restated
Cash flows from operating activities:		
Net profit/(loss) for the period	6,873	(9,156)
Adjusted for:		
Change in reclamation liability	27	-
Depletion and Depreciation	951	899
Stock based compensation	444	65
Tax creditor provision	91	70
Finance (income)/expense	19	(18)
	8,405	(8,140)
Net changes in working capital items		
Inventories	138	(631)
Prepaid and other receivables	(707)	(307)
Trade and other payables	20	(79)
Other derivative financial liability	(7,444)	7,358
Net cash from/(used) in operating activities	**412**	**(1,799)**
Cash flows from investing activities:		
Purchases and development of Property, plant and equipment	(459)	(97)
Net cash used in investing activities	**(459)**	**(97)**
Cash flows from financing activities:		
Issue of share capital	-	11,037
Issue costs	-	(1,410)
Proceeds from short term financing	-	-
Net cash provided by financing activities	**-**	**9,627**
Total (decrease)/increase in cash and cash equivalents	**(47)**	**7,731**
Cash and cash equivalents at beginning of period	9,371	2,106
Cash and cash equivalents at end of period	**9,324**	**9,837**

Avnel Gold Mining Limited
Notes to the Unaudited Consolidated Financial Statements
For the period ended June 30, 2012

1. Nature of Operations, Liquidity and going concern

Corporate information

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 ("Avnel Cayman"), a company incorporated in the Cayman Islands, pursuant to a reorganisation agreement. Under the reorganisation agreement, obligations of Avnel Cayman to Elliott and Fern in respect of existing shareholder loans of Avnel Cayman were assumed by the Company. The reorganisation has been accounted for as an exchange between entities under common control whereby the assets and liabilities of the Avnel Cayman group are initially recognised at their carrying amounts in the accounts of the Avnel Gold Mining Limited group at the date of the transfer.

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 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.

On August 10, 2009, Avnel Gold Mining Limited entered into an option agreement (the "Option Agreement") with IAMGOLD Corporation ("IAMGOLD") whereby IAMGOLD has the option to acquire up to an initial 51% indirect interest in the Company's interest in SOMIKA. In return IAMGOLD have the obligation to spend $11m on exploration activities over a period of three years from the date of the Option Agreement and by delivering a NI 43-101 resource calculation of at least 2 million ounces of gold, as well as proceeding with a Feasibility Study. IAMGOLD paid Avnel an option fee of $1 million and a further $1 million in cash was paid in 2010 on the first anniversary of the Option Agreement on August 10, 2010. To date IAMGOLD has spent a total $25.0 million in exploration costs.

On August 5, 2010 the Company completed a private placement (the "2010 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 C$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 which also included Haywood Securities Inc. and PI Financial Corp (the "Agents"). The gross proceeds of the Private Placement were C$2,605,000 ($2,547,000).Concurrently with the closing of the Private Placement, Avnel equitised all of its outstanding indebtedness, provided by its related parties Elliott and the Fern Trust, through the issuance of 71,492,382 Units to the holders of such indebtedness at the price per unit under the Private Placement.

On March 31, 2011 the Company completed a best efforts private placement (the "2011 Private Placement") of 25,000,000 units of Avnel (the "Units") at a price of Cdn. $0.40 per Unit (the "Issue Price"). 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 entitled the holder to purchase one ordinary share of Avnel at a price of C$0.70, at any time for a period of 18 months from the date of issue of the Warrants. Dundee Securities Ltd. was the lead agent and the gross proceeds of the Private Placement were C$10,000,000 ($10,290,000).

Avnel Mali SARL ("Avnel Mali") was incorporated in Mali in 2003 and is a 100% owned subsidiary of Avnel Gold Mining Limited. During 2006, Avnel Mali acquired 100% of the interest in the Fougadian Exploration Permit, an area of 150 square kilometres which lies to the south of the Kalana Permit. If an exploitation company is formed, then the Government of the Republic of Mali is entitled to a 10% interest and Avnel Mali will hold the remaining 90% interest. In the first year after the award of the permit, Avnel Mali was required to and completed expenditure of CFA 158,000,000 on the permit which is equivalent to $330,000 at the 2007 average exchange rate. The exploration permit is valid for a period of three years, renewable twice with 50% surface area reduction at each renewal. Avnel applied for a renewal of the Permit and this was granted in March 2010. Avnel has specified a new area of 75 sq. km as required by the Malian Code. This area lies in the northern half of the original permit and includes the largest anomaly "Avnel 1". The renewal is for 3 years and Avnel has committed to expenditures of $1.9 million over this period.

On December 6, 2010 the Company announced that it had entered into a joint venture arrangements agreement with IAMGOLD, (the "Joint Venture Arrangements Agreement") whereby IAMGOLD has the option to acquire up to an initial 51% interest in Avnel's 90% interest in the Fougadian Exploration Permit. Under the terms of the Joint Venture Arrangements Agreement, IAMGOLD will fully fund and satisfy the expenditure requirements of the Fougadian Exploration Permit and, upon establishing a qualifying mineral resource of not less than 250,000 oz of gold, may earn a 51% interest (of Avnel's 90% interest) in the permit. Upon delivery of a pre-feasibility study, IAMGOLD will be entitled to increase its interest to 65%. After delivery of a feasibility study, IAMGOLD will undertake to procure or provide project financing to develop a mining operation. To date IAMGOLD has spent a total $1.6 million in exploration costs.
IAMGOLD has applied for and been granted an exploration permit in respect of the southern 75 sq. Km. The combined permits are referred to as the "Fougadian Exploration Permit".

The Company is currently in the middle of a significant exploration programme being performed by IAMGOLD under the terms of the August 2009 Option Agreement. The Company intends to sustain the operation as long as economically feasible, without spending significant capital expenditure, until such time as the results of this exploration are completed and assessed to enable the Company to better evaluate future development options for the mine. Until this work is completed and a suitable development plan is identified, output from the mine will continue to be constrained.

Following the military coup d'etat on March 21, 2012 developments in Mali are being closely monitored by Avnel. By agreement with the Military junta constitutional rule was re-instated for an interim period expiring May 22, 2012. There is no assurance as to the political arrangements that will be made thereafter. Mr. Roy Meade, Executive Director of Operations based at Kalana reports that mining activities at the mine site are continuing as normal and conditions in the surrounding communities are completely calm. By Communications remain open as normal and the supply of locally procured consumables such as diesel continues. Importation of equipment and spares has continued as normal. The mine, which is operating normally, operates on grid power and there have been no interruptions to electric power supply to date. Exploration activity by IAMGOLD has resumed and the SGS assay laboratories within Mali continue to operate although there have been some disruption of power supply in Bamako. This is due to the low water level in the main dam supplying the Mali power grid. Gold dore exports have continued as normal.

The U.S. Dollar is the functional currency of the Company's principal operations.

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.

As a result of the private placement completed on March 31, 2011, the Company raised significant capital and is now able to fund its mining operations for the foreseeable future. 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. The risks relating to these dependencies are described more fully in the MD&A.

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) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union.

The consolidated financial statements have been prepared under the historical cost convention except for share based payments 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.

Restatement period to June 2011

The fair value of the warrants issued at the balance sheet date was estimated valuing the warrants using a binomial pricing model to allow for dilution. The fair value at 30 June 2011 was $13,628,000 with a charge of $7,358,000 to the Statement of Total Comprehensive income. As the warrants are denominated in Canadian dollars, a currency other than the functional currency (US dollars) of the Group, they are considered a derivative financial liability under IFRS, and are measured at fair value with changes in fair value recorded through profit and loss in the Statement of Comprehensive Income. The restatement takes the balance sheet amounts as recorded and results in the correct presentation and measurement under IFRS.

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 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 the 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 and are non interest bearing and are generally on 30-90 day terms.

Property, Plant and Equipment
All costs, other than acquisition costs, are expensed prior to the establishment of proven and probable reserves. Gains or losses resulting from the sale or abandonment of properties are included in operations. Acquisition and development costs associated with properties brought into production are charged to operations 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 eight 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 operations.

Impairment of Property, Plant and Equipment
The Company assesses each cash generating unit 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 site, 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, bank overdrafts and loans and borrowings, 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 Company prior to the end of the period which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition.

Loans
Loans include the value of embedded derivatives. On June 2005 a convertible loan was issued to the value of $10,941,000. The contract has a foreign exchange embedded derivative that requires bifurcation. The embedded derivative has been separated and carried at fair value through profit and loss. The convertible loan was fully equitised on August 5, 2010. IFRS requires that shares issued for the extinguishment of liabilities are measured at their fair value. Any difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments and the value of the warrants derivative financial instruments issued is included in the entity's profit or loss for the period.

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 to 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 income statement.

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
A withholding tax provision arises when Malian costs are paid externally and financed by an intercompany loan. On repayment of the intercompany loan withholding tax will be incurred.

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 Federal tax laws and the tax laws of the state and local jurisdictions in which it operates. The Company'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.

Foreign Currency
The functional currency of the entities within the Group is the US dollar, as the currency which most affects revenue, costs and financing. The Group's reporting currency is also the 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.

Risk Management
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.

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 other capital 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 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 6).

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 International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (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 estimates of future cash flows.

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 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 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% (2010 3%) and changes in discount rates (3% (2010 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. Changes to estimated future costs are recognised in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16 *Property, Plant and Equipment*. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.
If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with IAS 36. If for mature mines, the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense. Rehabilitation obligations that arose as a result of the production phase of a mine should be expensed as incurred.

Other derivative financial liabilities
The calculation of the fair value of other derivative financial instruments requires judgements, estimates and assumptions related to the risk-free rate and 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.

Recent Accounting Pronouncements

As of the balance sheet date, there were no new accounting pronouncements not yet adopted that are expected to materially affect the Company other than possibly those below.

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are
listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 ***Financial Statement Presentation – Presentation of Items of Other Comprehensive Income***
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 27 ***Separate Financial Statements*** **(as revised in 2011)**
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 ***Investments in Associates and Joint Ventures*** **(as revised in 2011)**
As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 ***Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements***
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IFRS 9 ***Financial Instruments: Classification and Measurement***
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 ***Consolidated Financial Statements***
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 ***Joint Arrangements***
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the financial position of the Group. This is due to the cessation of proportionate consolidating the joint venture in Showers Limited (see note 6) to equity accounting for this investment. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 ***Disclosure of Involvement with Other Entities***
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

- IAS 24 *Related Party Disclosures (amendment)* effective 1 January 2011
- IAS 32 *Financial Instruments: Presentation (amendment)* effective 1 February 2010
- IFRIC 14 *Prepayments of a Minimum Funding Requirement (amendment)* effective 1 January 2011
- Improvements to IFRSs (May 2010)

The adoption of the standards or interpretations is described below:

IAS 24 *Related Party Transactions* (Amendment)

IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 *Financial Instruments: Presentation (Amendment)*

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the
Group does not have these type of instruments

IFRIC 14 *Prepayments of a Minimum Funding Requirement* (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements in Euroland, therefore the amendment of the interpretation has no effect on the financial position or performance of the Group.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group. Amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group

- IFRS 3 *Business Combinations* (The measurement options available for non-controlling interest (NCI)).
- IFRS 7 *Financial Instruments — Disclosures* (Simplify the disclosures provided by reducing the volume of disclosures around collateral
- IAS 1 *Presentation of Financial Statements* (Clarifies that an entity's presentation analysis of each component of other comprehensive income)
- IFRS 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 *Consolidated and Separate Financial Statement*
- IAS 34 *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRIC 13 *Customer Loyalty Programmes* (determining the fair value of award credits)
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

6. Profit/(loss) per share

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

Diluted profit/(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 period 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.

Share options and warrants could potentially dilute earnings per share in future periods but were not included in the calculation as they were anti-dilutive in the period to June 30, 2011. The inclusion of share options and warrants would decrease the reported loss per share

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

Basic profit/ (loss) per share

	6 months June 2012	6 months June 2011	3 months June 2012	3 months June 2011
	$,000	$,000	$,000	$,000
Net profit/(loss) attributable to ordinary equity holders of the parent	7,703	(7,858)	2,174	(620)
Weighted average number of ordinary shares for basic earnings per share	191,739,724	179,263,857	191,739,724	191,727,095
	0.040	**(0.044)**	**0.011**	**(0.003)**

Diluted profit/ (loss) per share

	6 months June 2012	6 months June 2011	3 months June 2012	3 months June 2011
	$,000	$,000	$,000	$,000
Net profit/(loss) attributable to ordinary equity holders of the parent	7,703	(7,858)	2,174	(620)
Weighted average number of ordinary shares for diluted earnings per share	260,703,479	239,249,059	260,703,479	259,203,479
	0.030	**(0.044)**	**0.008**	**(0.003)**

7. Inventories

	June 30 2012	December 31 2011
	$'000	$'000
Metal inventory	585	1,146
Materials and supplies	2,979	2,556
	3,564	3,702

8. Cash and cash equivalents

	June 30 2012	December 31 2011
	$'000	$'000
Cash at bank and in hand	1,324	4,468
Short term bank deposits	8,000	4,903
	9,324	9,371

The short term bank deposits are held with Barclays Bank Plc. for a period not more than three months.

9. Property, Plant and Equipment

	Mine acquisition costs $'000	Mine Capitalized Development $'000	Mine equipment $'000	UK Office equipment $,000	Total $,000
Cost					
Balance December 31, 2011	3,705	20,743	9,995	104	34,547
Additions	-	419	-	40	459
Exchange adjustments	(148)	(842)	(396)	1	(1,385)
Balance June 30, 2012	**3,557**	**20,320**	**9,599**	**145**	**33,621**
Accumulated Depreciation					
Balance December 31, 2011	1,711	9,386	5,685	73	16,855
Expense for year	64	376	500	11	951
Exchange adjustments	(71)	(388)	(247)	7	(699)
Balance June 30, 2012	**1,704**	**9,374**	**5,938**	**91**	**17,107**
Net Book Value					
December 31, 2011	1,994	11,357	4,310	31	17,692
June 30, 2012	**1,853**	**10,946**	**3,661**	**54**	**16,514**

10. Trade and other payables

	June 30 2012 $'000	December 31 2011 $,000
Trade payables	900	800
Accrued expenses	1,115	1,176
	2,015	1,976

11. Other derivative financial liabilities

	6 Months June 2012 $,000	6 Months June 2011 $,000	3 Months June 2012 $,000	3 Months June 2011 $,000
Net profit/(loss) on other financial derivatives	7,444	(7,358)	2,847	(506)
	7,444	(7,358)	2,847	(506)

	Financial Liability $,000
Balance at December 31, 2011	7,918
Net profit/(loss) on financial derivative (warrants and convertible debt) at fair value	7,444
Balance at June 30, 2012	474
Total current – other derivative financial liability	-
Total non- current– other derivative financial liability	474

On August 5, 2010 the Company completed a private placement (the "2010 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 C$0.35, at any time for a period of 36 months from the date of issue of the Warrants. Concurrently with the closing of the Private Placement, Avnel equitised all of its outstanding indebtedness, provided by its related parties Elliott and the Fern Trust, through the issuance of 71,492,382 Units to the holders of such indebtedness at the price per Unit under the Private Placement (the "Equitatisation").

On March 31, 2011 the Company completed a private placement (the "2011 Private Placement") of 25,000,000 units of Avnel at a price of Cdn. $0.40 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 C$0.70, at any time for a period of 18 months from the date of issue of the Warrants.

The net profit/(loss) arising on derivative financial liabilities primarily relates to the revaluation, in accordance with IFRS, of share purchase warrants issued as part of the 2011 Private Placement and the 2010 Private Placement Equitatisation described above. 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. The share purchase warrants are therefore 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 instrument issued is included in the Company's Statement of Comprehensive Income for the period. This reported accounting loss is a fair value adjustment only and has no cash effect on the Company.

The fair value of the warrants granted in each period is calculated using a binomial pricing model to allow for dilution. The share purchase warrants issued as part of the 2011 Private Placement were initially valued at $2,193,000 assuming a volatility of 93% and a risk free rate of 1.83% and an expected 1.5 year life, decreased to $1,076,000 at December 31, 2011 and further decreased to $2,000 at June 30, 2012, as a result of a decline in the value of the warrant following a decrease in the share price from December 31, 2011. The share purchase warrants issued as part of the 2010 Private Placement and Equitatisation were initially valued at $620,000, assuming a volatility of 57% and a risk free rate of 1.73% and an expected 3 year life, and increased to $6,643,000 at December 31, 2011, and decreased to $472,000 at June 30, 2012, as a result of a decrease in the fair value of the warrants following an decrease in the share price from December 31, 2011.

Warrants issued	Expiry date	No. warrants	Fair value at inception	Fair value at 31 Dec 2011	Fair value at 30 June 12
			US$'000	US$'000	US$'000
45c August 10, 2009	August 10, 2012	2,000,000	41	199	-
35c August 5, 2010	August 5, 2013	42,258,692	620	6,643	472
70c March 31, 2011	September 30, 2012	12,500,000	2,193	1,076	2
			2,854	**7,918**	**474**

12.Provisions

	Withholding Tax Provision	Decommissioning Provision	Total
	$,000	$,000	$,000
At December 31, 2011	1,808	1,815	3,623
Arising during the year	91	-	91
Unwinding of discount rate	-	27	27
Closing balance June 30, 2012	1,899	1,842	3,741

Decommissioning provision

During 2006, the Company commissioned an environmental report by an independent party. The estimated costs which are reviewed annually by management for the retirement and rehabilitation of Kalana Mine is $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 timing of the decommissioning work is 2018.

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 ongoing exploration and a future feasibility study.

Withholding tax provision

The long term tax creditor relates to withholding tax which may arise in Mali when SOMIKA's inter-company loan is repaid to Avnel Gold Mining Limited. Management are unable to determine the timing of the settlement of the provision at this date.

13. Share Capital

	No.	$'000
At December 31, 2011	191,743,724	50,550
Issued during the period	-	-
At June 30, 2012	191,743,724	50,550

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 in the Statement of Changes of Stockholders' Equity.

14. Warrant/option reserve

	June 30 2012 $'000	December 31 2011 $'000
At 1 January	5,921	5,092
Issued during the year	444	829
At 31 December	6,365	5,921

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.

The fair value of the broker warrants granted on March 31, 2011 in relation to the Private Placement is calculated using a binominal pricing model to allow for dilution. The broker warrants have been valued at $631,000 assuming a volatility of 93% and a risk free rate of 1.8% and an expected 1.5 year life. The broker warrants issued in 2010 were valued at $189,000.

The fair value of each stock option 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. The fair value of stock options granted to employees is measured at the date of the grant. Compensation charged in the quarter to June 30, 2012 amounted to $444,000.

Warrants issued to brokers

Warrants were issued to brokers as compensation for their services in the equity issuance described note 1. Each Broker Warrant gives the holder the option to purchase one Unit, defined in note 1.

These warrants issued to the brokers fall within the scope of IFRS 2 as the warrant issuance to the brokers represents equity based payment to non-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 warrant reserves, see note 18.

In connection with the private placements on August 5 2010 the Company issued 1,626,675 warrants and 813,338 rights to the brokers. Each warrant entitles the holder to purchase one ordinary share of Avnel at a price of C$0.20 and each right entitles the holder to purchase one ordinary share of Avnel at the price of C$0.35 at any time for a period of 36 months from the date of issue of the Warrants.

In connection with the private placement on March 31, 2011, 1,750,000 warrants and 875,000 rights were issued to the brokers. Each warrant entitles the holder to purchase one ordinary share of Avnel at a price of C$0.40 and each right entitles the holder to purchase one ordinary share of Avnel at the price of C$0.70 at any time for a period of 18 months from the date of issue of the Warrants.

A summary of options or rights to purchase common shares of Avnel is shown in the following table:

	As at December 31, 2011	Forfeited or expired	Granted	Exercised	As at June 30, 2012
Broker Warrants issued on private placement on August 5, 2010 @ C$0.20	**1,361,292**	-	-	-	**1,361,292**
Broker Warrant rights on private placement on August 5, 2010 @ C$0.35	**808,454**	-	-	-	**808,454**
Broker Warrants rights issued on private placement on March 31, 2011 @ C$0.70	**875,000**	-	-	-	**875,000**
Broker Warrants issued on private placement on March 31, 2011 @ C$0.40	**1,750,000**	-	-	-	**1,750,000**
Stock Option Plan	**4,969,000**	-	-	-	**4,969,000**
Meade Compensation Option	**2,500,000**	-	-	-	**2,500,000**
Options or rights to purchase common shares	**12,263,746**	**-**	**-**	-	**12,263,746**

15. Commitments and operating leases

Future operating leases are as follows:

	June 30 2012 $'000	December 31 2011 $'000
Within one year	3	68
Within two to five years	570	-
	573	68

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 $570,000.

The Company has entered into an operating lease for an office building in Bamako, Mali. The lease expires in June 2013. The remaining commitment at June 30, 2012 is $3,000.

Avnel was granted the renewal of the Fougadian Exploration Permit in March 2010 which is for 3 years and Avnel has committed to expenditures of $1.9 million over this period. However, as per the Option Agreement described in note 1, all exploration costs will be borne by IAMGOLD.

16. Related Party Transactions

As described in note 15 above, the Company has entered into an operating lease for office space with Fern. Rent expense during the quarter to June 30, 2012 amounted to $34,000 and the amount outstanding at June 30, 2012 $570,000. 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 $156,000 of explosives during the quarter to June 30, 2012 (2011: $159,000) from African Explosives Limited ("AEL"). Mr. Ibrahim Kantao, a director of Avnel and SOMIKA, is also the Director-General of AEL Mali.

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.

	6 Months June 2012 $'000	6 Months June 2011 $'000	3 Months June 2012 $'000	3 Months June 2011 $'000
Wages and salaries	473	486	229	245
Directors' fees	45	45	23	22
	518	531	252	267

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

Share options held by the Company's LTIP to purchase ordinary shares have the following expiry dates and exercise prices:

Issue Date	Expiry date	Exercise price	Number outstanding June 30, 2012	Number outstanding June 30, 2011
31/08/05	19/8/2015	C$0.76	899,000	899,000
13/08/08	06/08/2018	C$0.45	1,500,000	1,500,000
09/11/10	09/11/2015	C$0.28	125,000	125,000
01/01/11	31/12/2016	C$0.35	500,000	500,000
15/11/11	15/11/2021	C$0.60	1,500,000	-
Total			4,524,000	3,024,000

Share options held by the Company's Meade Compensation Option Continuation scheme to purchase ordinary shares have the following expiry dates and exercise prices:

Issue Date	Expiry date	Exercise price	Number outstanding June 30, 2012	Number outstanding June 30, 2011
23/02/05	23/02/2013	US$0.275	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 30 June 2012 between the Company and Group companies that were not wholly owned, in respect of management fees and interest on loans.

$'000 **2012**	Avnel Gold Mining Limited	Avnel Gold Mining Limited	$'000 **2011**	Avnel Gold Mining Limited	Avnel Gold Mining Limited
	Charged in the year	Balance June 30, 2012		Charged in the year	Balance June 30, 2011
SOMIKA	2,589	54,382		2,370	51,659
Total	**2,589**	**54,382**		**2,370**	**51,659**

17. Contingent Liabilities

Malian Taxation

The three year period Malian tax audit on SOMIKA for the 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 of $210,000, VAT of $280,000 and penalties and interest of $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.