AVNEL GOLD MINING LIMITED
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2013

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, 2013 and December 31, 2012

Expressed in thousands of US Dollars

	Notes	June 30 2013 $'000	December 31 2012 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	15,444	16,722
Total non-current assets		15,444	16,722
CURRENT ASSETS			
Inventories	7	3,884	4,227
Other receivables	8	2,678	2,123
Cash and cash equivalents	9	7,241	7,979
Total current assets		13,803	14,329
TOTAL ASSETS		29,247	31,051
CURRENT LIABILITIES			
Trade and other payables	11	1,725	2,103
Other derivative financial liability	12*	-	1,600
Total current liabilities		1,725	3,703
NON-CURRENT LIABILITIES			
Provisions	13	3,975	3,855
Total non-current liabilities		3,975	3,855
Net Assets		23,547	23,493
EQUITY			
Common equity: Authorised - unlimited number of ordinary shares of no par value Issued and outstanding 191,743,724 (2012:191,743,724)	14	50,550	50,550
Warrant/option reserve	15	6,413	6,394
Other comprehensive income		710	939
Retained deficit		(24,107)	(25,133)
Total shareholders' equity		33,566	32,750
Non controlling interest		(10,019)	(9,257)
Total Equity		23,547	23,493

Notes;

12* 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, 2013 and 2012

Expressed in thousands of US Dollars

(except share and per share information)

	Note	3 months ended June 30 2013 $'000	3 months ended June 30 2012 $'000	6 months ended June 30 2013 $'000	6 months ended June 30 2012 $'000
Revenue		4,684	4,393	8,881	9,427
Cost of operations					
Production costs		4,195	3,537	7,150	7,193
Exploration costs		28	-	28	-
Depletion and depreciation	10	566	465	1,057	951
		4.789	4.002	8,235	8,144
Gross (loss)/profit		(105)	391	646	1,283
Administration expense		836	892	1,647	1,802
Operating (loss)/profit		(941)	(501)	(1,001)	(519)
Other income/(expense)					
Net profit on other financial derivatives	12*	-	2,847	1,600	7,444
Other finance expense		(14)	(13)	(28)	(27)
Interest income		2	3	4	8
Foreign exchange gain/(loss)		54	(77)	(254)	(33)
		42	2,760	1,322	7,392
(Loss)/profit before tax from continuing operations		(899)	2,259	321	6,873
Taxation		-	-	-	-
Net (loss)/profit		(899)	2,259	321	6,873
Other comprehensive income:					
Exchange differences		231	(1,176)	(286)	(686)
Total comprehensive (loss)/profit		(668)	1,083	35	6,187
Attributable to:					
Equity holders of the parent		(430)	2,174	797	7,703
Non-controlling interests		(238)	(1,091)	(762)	(1,516)
Basic (loss)/profit per share	6	(0.002)	0.011	0.004	0.040
Diluted (loss)/profit per share	6	(0.002)	0.011	0.004	0.040

Notes;

12*Net profit 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, 2013 and 2012, and the year ended December 31, 2012
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, 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 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**
Stock based compensation	-	-	29	-	-	29	-	29
Exchange differences	-	-	-	-	569	569	142	711
(Loss)/profit for the year	-	-	-	(510)	-	(510)	(1,577)	(2,087)
Total Comprehensive loss	-	-	-	(510)	569	59	(1,435)	(1,376)
At December 31, 2012	**191,743,724**	**50,550**	**6,394**	**(25,133)**	**939**	**32,750**	**(9,257)**	**23,493**
Stock based compensation	-	-	19	-	-	19	-	19
Exchange differences	-	-	-	-	(229)	(229)	(57)	(286)
Profit/(loss) for the year	-	-	-	1,026	-	1,026	(705)	321
Total Comprehensive loss	-	-	-	1,026	(229)	797	(762)	35
At June 30, 2013	**191,743,724**	**50,550**	**6,413**	**(24,107)**	**710**	**33,566**	**(10,019)**	**23,547**

Avnel Gold Mining Limited
Consolidated Statement of Cash Flows
For the six months ended June 30 2013 and 2012
Expressed in thousands of US Dollars

	June 30 2013 $'000	June 30 2012 $'000
Cash flows from operating activities:		
Net profit/(loss) for the period	321	6,873
Adjusted for:		
Change in reclamation liability	28	27
Depletion and Depreciation	1,056	951
Stock based compensation	19	444
Tax creditor provision	92	91
Finance income	(4)	19
	1,512	8,405
Net changes in working capital items		
Inventories	343	138
Prepaid and other receivables	(555)	(707)
Trade and other payables	(373)	20
Other derivative financial liability	(1,600)	(7,444)
Net cash (used in)/from operating activities	**(673)**	**412**
Cash flows from investing activities:		
Purchases and development of Property, plant and equipment	(65)	(459)
Net cash used in investing activities	**(65)**	**(459)**
Cash flows from financing activities:		
Issue of share capital	-	-
Issue costs	-	-
Proceeds from short term financing	-	-
Net cash provided by financing activities	**-**	**-**
Total increase/(decrease) in cash and cash equivalents	**(738)**	**(47)**
Cash and cash equivalents at beginning of period	7,979	9,371
Cash and cash equivalents at end of period	**7,241**	**9,324**

Avnel Gold Mining Limited
Notes to the Unaudited Consolidated Financial Statements
For the period ended June 30, 2013

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.

Avnel entered into an agreement (the "Option Agreement") with IAMGOLD Corporation ("IAMGOLD") on August 10, 2009 pursuant to which IAMGOLD had the right to earn a 51% interest in Avnel's interest in the Kalana Permit by spending $11 million over a three year period and making two payments to Avnel of $1 million each on August 10, 2009 and August 10, 2010. The IAMGOLD work programme focussed primarily on the evaluation of the Kalana Mine and its environs to examine the potential for a large scale, bulk mineable resource. IAMGOLD substantially completed the drill programs at Kalana and Kalanako by the end of 2012. The objective was to define a minimum resource of 2 million ounces which would entitle IAMGOLD to obtain 51% of the project if it committed to the carrying out of a feasibility study under an agreed work program. Avnel and IAMGOLD agreed to extend the exploration phase of its joint venture arrangements from August 9, 2012 to December 31, 2012. This was further extended to 28 February 2013.
The Option Agreement automatically lapsed on March 1, 2013 as IAMGOLD did not produce a Resource Study as defined in the Option Agreement within the timescale allowed.

The costs incurred by IAMGOLD are represented by loans to the Company's subsidiary Avnel Gold, Limited which were on lent to SOMIKA. IAMGOLD's loans to Avnel Gold, Limited are forfeited to Avnel.

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".
Avnel has applied for an extension of one year due to the delay in exploration caused by the military coup in 2012. Avnel has been requested to apply for a two year extension of the permit and is confident this will be granted during the second quarter.

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 $2.2 million in exploration costs.
IAMGOLD had applied 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 intends to sustain the current underground mining 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.

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.

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).

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.

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.

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 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 10).

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

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

Level 1 – Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument

Level 3 – Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

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

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

The financial statements of the Group have been prepared in accordance with 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% (2012 3%) and changes in discount rates 3% (2012 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.

Future Accounting Policies

The following new standards and amendments to standards and interpretations were not yet effective as of the balance sheet date, and have not been applied in preparing these consolidated financial statements. These are summarised below:

IAS 1 Presentation of items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and therefore 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 IASB's 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 was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015.
In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Company will assess the effect in conjunction with the other phases, when the final standard including all phases is issued.

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.

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

Basic and diluted (loss)/profit per share

	3 Months June 2013	3 Months June 2012	6 Months June 2013	6 Months June 2012
	$,000	$,000	$,000	$,000
Net (loss)/profit attributable to ordinary equity holders of the parent	(430)	2,174	797	7,703
Weighted average number of ordinary shares for basic earnings per share	191,743,724	191,743,724	191,743,724	191,743,724
Basic (loss)/profit per share attributable to ordinary equity holders of the parent	(0.002)	0.011	0.004	0.040
Effect of dilutive potential ordinary shares granted of warrants and options granted	-	857,269	375,177	857,269
Diluted weighted average number of ordinary shares for basic earnings per share	191,743,724	192,596,933	192,118,901	192,596,933
Basic (loss)/profit per share attributable to ordinary equity holders of the parent company	(0.002)	0.011	0.004	0.040

7. Inventories

	June 30 2013	December 31 2012
	$'000	$'000
Metal inventory	888	1,086
Materials and supplies	2,996	3,141
	3,884	4,227

8. Other receivables

	June 30 2013	December 31 2012
	$'000	$'000
Refundable VAT in Mali	2,339	1,936
Prepayment and other	339	187
	2,678	2,123

9. Cash and cash equivalents

	June 30 2013	December 31 2012
	$'000	$'000
Cash at bank and in hand	2,241	979
Short term bank deposits	5,000	7,000
	7,241	7,979

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

10. 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, 2012	3,716	20,900	10,779	104	35,499
Additions	-	3	50	12	65
Exchange adjustments	(65)	(367)	(190)	(6)	(628)
Balance June 30, 2013	**3,651**	**20,536**	**10,639**	**110**	**34,936**
Accumulated Depreciation					
Balance December 31, 2012	1,840	10,126	6,757	54	18,777
Expense for year	66	381	597	13	1,057
Exchange adjustments	(33)	(182)	(124)	(3)	(342)
Balance June 30, 2013	**1,873**	**10,325**	**7,230**	**64**	**19,492**
Net Book Value					
December 31, 2012	1,876	10,774	4,022	50	16,722
June 30, 2013	**1,778**	**10,211**	**3,409**	**46**	**15,444**

11. Trade and other payables

	June 30 2013 $'000	December 31 2012 $,000
Trade payables	678	987
Accrued expenses	1,047	1,116
	1,725	2,103

12. Other derivative financial liabilities

	3 Months June 2013 $,000	3 Months June 2012 $,000	6 Months June 2013 $,000	6 Months June 2012 $,000
Net profit/(loss) on other financial derivatives	-	2,847	1,600	7,444
	-	2,847	1,600	7,444

	Financial Liability $,000
Balance at December 31, 2012	1,600
Net profit on financial derivative (warrants and convertible debt) at fair value	1,600
Balance at June 30, 2013	-

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 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. All warrants expired on September 30, 2012.

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"). The warrants expired on August 5, 2013 without being exercised.

The net gain arising in 2012 and 2013 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 profit/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, and decreased to $1,076,000 at December 31, 2011 as a result of a decline in the value of the warrant following a decrease in the share price from the date of issue of the 2011warrants. The warrants lapsed on September 30, 2012 without exercise and the resultant gain passed through the profit and loss account.

The share purchase warrants issued as part of the 2010 Private Placement and Equitisation 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. The fair value of the warrants increased to $1,600,000 at December 31, 2012 and was valued at zero at March 31, 2013 with the resultant gain of $1,600,000 passing through the profit and loss account in the first quarter. The warrants were also valued at zero on June 30, 2013 and the warrants lapsed on August 5 2013 without exercise.

Warrants issued	**Expiry date**	**No. warrants**	**Fair value at inception**	**Fair value at 31 Dec 2011**	**Fair value at 30 June 2012**	**Fair value at 31 Dec 2012**	**Fair value at 30 June 2013**
			US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
45c August 10, 2009	August 10, 2012	2,000,000	41	199	57	-	-
35c August 5, 2010	*August 5, 2013	42,258,692	620	6,643	3,247	1,600	-
70c March 31, 2011	September 30, 2012	12,500,000	2,193	1,076	17	-	-
				7,918	**3,321**	**1,600**	**-**

* 62,683 35c warrants were exercised in 2011 leaving 42,196,009 warrants at December 31, 2012 and June 30, 2013 to be exercised. The warrants lapsed on August 5, 2013 without being exercised.

13.Provisions

	Withholding Tax Provision	Decommissioning Provision	Total
	$,000	$,000	$,000
At December 31, 2012	1,986	1,869	3,855
Arising during the year	92	-	92
Unwinding of discount rate	-	28	28
Closing balance June 30, 2012	2,078	1,897	3,975

Decommissioning provision
During 2006, the Company commissioned an environmental report by an independent party. This estimated an increase in estimated cash flow for the retirement and rehabilitation of Kalana Mine from $1,000,000 to $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.

14. Share Capital

	No.	$'000
At December 31, 2012	191,743,724	50,550
Issued during the period	-	-
At June 30, 2013	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 Consolidated Statement of Changes in Equity.

15. Warrant/option reserve

	June 30 2013	December 31 2012
	$'000	$'000
At January 1,	6,394	5,921
Issued during the year	19	473
At June 30, and December 31	6,413	6,394

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 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 half year to June 30, 2013 amounted to $19,000 (2012:$444,000).

Warrants issued to brokers

Warrants were issued to brokers as compensation for their services in the equity issuance described note 12. Each Broker Warrant gives the holder the option to purchase one Unit, defined in note 12.

These warrants issued to the brokers fall within the scope of IFRS 2 as the warrant issuance to the brokers represents an 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.

In connection with the private placements on August 5 2010 the Company issued 1,626,675 warrants and 813,338 rights to the brokers. As at December 31, 2012 and June 2013 the remaining broker warrants balance was 1,361,292 with 808,454 rights to broker warrants. 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. The Broker warrants lapsed without exercise on August 5, 2013.

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

	As at December 31, 2012	Forfeited or expired	Granted	Exercised	As at June 30, 2013
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$0.30	**808,454**	-	-	-	**808,454**
Stock Option Plan	**4,569,000**	-	-	-	**4,569,000**
Meade Compensation Option	**2,500,000**	-	-	-	**2,500,000**
Options or rights to purchase common shares	**9,238,746**	**-**	**-**	-	**9,238,746**

The Broker warrants shown above all lapsed without being exercised on August 5, 2013.

16. Commitments and operating leases

Future operating leases are as follows:

	June 30 2013 $'000	December 31 2012 $'000
Within one year	141	68
Within two to five years	312	
	453	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 2016, future minimum payments will amount to $417,000.

The Company has entered into an operating lease for an office building in Bamako, Mali. The lease expires in June 2014. The remaining commitment at June 30, 2013 is $8,000.

17. Related Party Transactions

The Company has entered into an operating lease for office space with Fern. Rent expense amounted to $72,000 in the half year to June 30, 2013 (2012: $67,000) and the amount outstanding at June 30, 2013 $417,000. 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 $358,000 of explosives in the half year to June 30, 2013 (2012: $393,000) 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.

	3 Months June 2013 $'000	3 Months June 2012 $'000	6 Months June 2013 $'000	6 Months June 2012 $'000
Wages and salaries	245	229	490	473
Directors' fees	22	23	44	45
	267	252	534	518

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, 2013	Number outstanding December 31, 2012
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	1,500,000
5/04/13	25/03/2023	C$0.35	50.000	-
Total			4,574,000	4,524,000

Share options held by the Company's Meade Compensation Option Continuation scheme to purchase ordinary shares have the following expiry dates and exercise prices. The extension of the option expiry date from February 23, 2013 to February 23, 2023 was approved by shareholders at the Company's Annual General Meeting held on May 23, 2013.

Issue Date	Expiry date	Exercise price	Number outstanding June 30, 2013	Number outstanding December 31, 2012
23/02/05	23/02/2023	US$0.275	2,500,000	2,500,000
Total			2,500,000	2,500,000

The table below sets out charges during the first half of 2013 and the year to 31 December 2012 between the Company and Group companies that were not wholly owned, in respect of management fees and interest on loans.

$'000 **2013**	Avnel Gold Mining Limited	Avnel Gold Mining Limited	$'000 **2012**	Avnel Gold Mining Limited	Avnel Gold Mining Limited
	Charged half year to June 2013	Balance 30 June 2013		Charged in year December 2012	Balance 31 December 2012
SOMIKA	2,748	58,873		5,240	57,383
Total	**2,748**	**58,873**		**5,240**	**57,383**

18. Contingent Liabilities

Malian Taxation

The three year period Malian tax audit on SOMIKA for the years ended 2009, 2010 and 2011 was carried out during 2012 and resulted in a partial report received in December 2012 covering only the 2009 year. The inspector is claiming $4.8m including penalties, disputing various tax items including tax allowances on interest, withholding tax on foreign suppliers and VAT exemption. Management believe strongly that the majority of the tax claims are incorrect and will take external advice on these issues when the 2010 and 2011 reports are received from the inspector.

19. Post Balance sheet event

The 35c warrants, together with the 30c and 20c Broker warrants issued on August 5, 2010 all lapsed on August 5, 2013 without being exercised.