AVNEL GOLD MINING LIMITED
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2010

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

"*Howard Miller*" "*Alan McFarlane*"

Howard Miller
Chief Executive Officer

Alan McFarlane
Vice President Finance

Avnel Gold Mining Limited

Unaudited Consolidated Balance Sheets

September 30, 2010 and December 31, 2009

Expressed in thousands of US Dollars

	September 30 2010	**December 31 2009**
ASSETS		
Cash and cash equivalents	3,076	2,027
Inventories	3,547	3,500
Prepaid and other assets	1,124	1,096
Total current assets	7,747	6,623
Property, plant and equipment, at cost		
Mining properties and capitalized mine development costs	23,199	23,092
Other property and equipment	9,793	9,782
	32,992	32,874
Accumulated depreciation	15,430	13,967
Net property, plant and equipment	17,562	18,907
Total Assets	25,309	25,530
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	735	1,036
Tax creditor	1,621	1,515
Other accrued liabilities	2,451	2,865
Current portion of long-term debt	-	13,986
Total current liabilities	4,807	19,402
Retirement and rehabilitation obligations	1,072	989
Total liabilities	5,879	20,391
Common stock: Authorised - unlimited number of ordinary shares of no par value Issued and outstanding 166,410,774 (December 31, 2009 80,762,954)	44,042	28,435
Additional paid in capital	5,650	4,898
Retained deficit	(30,253)	(28,184)
Accumulated other comprehensive loss	(9)	(10)
Total stockholders' equity	19,430	5,139
Total Liabilities and Stockholders' Equity	25,309	25,530

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

Avnel Gold Mining Limited

Unaudited Consolidated Statement of Operations and Comprehensive Income

For the Periods Ended September 30, 2010 and 2009

Expressed in thousands of US Dollars

(except share and per share information)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
REVENUE				
Metal revenue	2,988	3,396	10,571	14,618
Other revenue	1,000	1,000	1,000	1,000
Total Revenue	3,988	4,396	11,571	15,618
EXPENSES				
Operating	2,784	2,981	9,206	12,177
Depreciation	417	1,446	1,463	5,236
Exploration	5	39	5	387
Administration expense	605	952	1,602	2,143
Total expenses	3,811	5,418	12,276	19,943
Income /(loss) from operations	177	(1,022)	(705)	(4,325)
Other income (expense)				
Interest expense	(54)	(141)	(323)	(483)
Exchange gain (loss)	2,030	(39)	(1,039)	(877)
Total other income/(expense)	1,976	(180)	(1,362)	(1,360)
Income/ (loss) before income tax	2,153	(1,202)	(2,067)	(5,685)
Income tax expense	0	(218)	(2)	(221)
Net income/ (loss)	2,153	(1,420)	(2,069)	(5,906)
Income /(loss) per share	$ 0.016	$ (0.018)	$ (0.021)	$ (0.075)
Weighted average shares outstanding	133,338,755	80,625,931	99,197,164	78,570,078

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

Avnel Gold Mining Limited

Unaudited Consolidated Statement of Cash Flows

For the Periods Ended September 30, 2010 and 2009

Expressed in thousands of US Dollars

	Three months ended Sept 30		Nine months ended Sept 30	
	2010	**2009**	**2010**	**2009**
Cash flows from operating activities:				
Net income (loss) from continuing operations	2,153	(1,420)	(2,069)	(5,906)
Reconciled to net cash (used in) provided				
by operating activities				
Depreciation	417	1,446	1,463	5,236
Accretion and reclamation liability	28	52	83	107
Stock based compensation	22	-	22	-
Change in tax creditor	34	253	106	365
Changes in operating assets and liabilities				
Inventories	(759)	(637)	(47)	1,367
Prepaid and other assets	(91)	154	(28)	318
Accounts payable	30	(79)	(301)	(131)
Other accrued liabilities	(2,173)	897	(262)	486
Net cash (used in) /provided by operating activities	(339)	666	(1,033)	1,842
Cash flows from investing activities:				
Purchases and development of				
Property, plant and equipment	(1)	(4)	(118)	(530)
Net cash used in investing activities	(1)	(4)	(118)	(530)
Cash flows from financing activities:				
Proceeds of issue of share capital	16,186	-	16,186	-
Repayment of loans	(13,821)	-	(13,986)	-
Net cash provided by financing activities	2,365	-	2,200	-
Net increase /(decrease) in cash and cash equivalents	2,025	662	1,049	1,312
Cash and cash equivalents at				
Beginning of period	1,051	927	2,027	277
Cash and cash equivalents at end of period	3,076	1,589	3,076	1,589

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

Avnel Gold Mining Limited

Unaudited Consolidated Statement of Changes in Stockholders' Equity

Expressed in thousands of US Dollars

(except share information)

	Common Stock		Additional Paid in	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Income	Equity (Deficit)
At December 31, 2008	73,909,372	28,093	4,898	(20,289)	(37)	12,665
Issuance of common stock in payment of interest	6,853,582	342	-	-	-	342
Net loss	-	-		(5,906)		(5,906)
Other comprehensive gain						
Exchange profit	-	-		-	4	4
Comprehensive loss						(5,902)
At September 30, 2009	80,762,954	28,435	4,898	(26,195)	(33)	7,105
Issuance of common stock in payment of interest	-	-	-	-		-
Net loss	-	-	-	(1,989)		(1,989)
Other comprehensive loss						
Exchange profit	-	-	-	-	23	23
Comprehensive loss						(1,966)
At December 31, 2009	80,762,954	28,435	4,898	(28,184)	(10)	5,139
Issuance of common stock in payment of interest	1,130,438	173	-	-	-	173
Issuance of common stock private placement August 2010 (net of costs)	84,517,382	15,434	-	-	-	15,434
Issuance warrants private placement August 2010	-	-	730	-	-	730
Issuance options share based payments	-	-	22	-	-	22
Net loss	-	-	-	(2,069)	-	(2,069)
Exchange profit	-	-	-	-	1	1
Comprehensive loss						(2,068)
At September 30, 2010	**166,410,774**	**44,042**	**5,650**	**(30,253)**	**(9)**	**19,430**

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

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

1. Nature of Operations and Liquidity

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

On August 5, 2010 the Company completed a private placement (the "**Private Placement**") of 13,025,000 units of Avnel at a subscription price of C$0.20 per Unit. Each Unit consisted of one ordinary share of Avnel and one-half of one ordinary share purchase warrant (each whole warrant a "**Warrant**"). Each Warrant entitles the holder to purchase one ordinary share of Avnel at a price of Cdn$0.35, at any time for a period of 36 months from the date of issue of the Warrants. Dundee Securities Corporation was the lead agent for the Private Placement. The gross proceeds of the Private Placement was C$2,605,000 and Avnel intends to use these proceeds for general corporate purposes. IAMGOLD participated in the Private Placement purchasing 5,000,000 units being 3% of the outstanding common shares. On August 10, 2010 IAMGOLD paid the second Kalana Joint Venture option fee of US$1,000,000.
Concurrently with the closing of the Private Placement, Avnel equitised all of its outstanding indebtedness 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 Issue Price. These transactions eliminated all of Avnel's debt and provide the Company with enhanced financial strength through a debt-free balance sheet to continue working with IAMGOLD to advance the Company's goal of fully exploring the upside potential at its Kalana mine and Permit.

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

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

2. Interim Accounting Policy

The accompanying unaudited consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly in accordance with accounting principles generally accepted in the United States, the financial position of the Company and the results of its operations and cash flows for the period ended September 30, 2009. Although the Company believes that disclosure in these financial statements is adequate to make the information presented not misleading, certain information and foot note information normally included in annual financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These financial statements are prepared using the same accounting policies and method of application as those disclosed in Note 3 to the consolidated financial statements of the Company for the year ended December 31, 2009.

Results of operations for the period ended September 30, 2010 are not necessarily indicative of what operating results may be for the full year. In addition, these unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009.

3. Commitments and Contingencies

The Company has entered into operating leases for office space and equipment with a company related to Fern. Pursuant to these leases which expire in June 2012, future minimum payments will amount to £139,000 up until the end of the lease, which at the September 30, 2010 exchange rate, is equivalent to $220,000.

The Company has entered into an operating lease for an office building in Bamako, Mali. The lease expires in June 2011. The remaining commitment at September 30, 2010 is $3,000.

4. Related Party Transactions

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

SOMIKA purchased $167,000 of explosives from African Explosives Limited ("AEL") during the three months ended September 30, 2010. Mr. Ibrahim Kantao, a director of the Company and SOMIKA, is also the Director-General of AEL Mali.

5. Contingent Liability

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

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

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

6. Stockholders' Equity

On August 5, 2010 the Company completed a private placement and equitised all its debt by the issuance of 84,517,382 units consisting of shares at an subscription price of $C0.20 and 42,258,692 warrants at an exercise price of $C0.35 together with 1,626,675 broker warrants at an exercise price of C$0.20 including 813,338 warrants at an exercise price of C$0.35. The shares were issued at a net value of $15,434,000 after issue costs of $477,000 were deducted.

The warrants have been valued at $730,000 assuming a volatility of 57% and a risk free rate of 2.5% and an expected 3 year life. On August 17, 2010, 400,000 options were issued at an exercise price of C$0.22 expiring December 31, 2012, under the Company's LTIP scheme. The options were valued at $22,000 using the Black Scholes module assuming a volatility of 57% and a risk free rate of 2.5%. The valuation of the warrants and options were added to the additional paid in capital account.