AVNEL GOLD MINING LIMITED
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2011

The consolidated financial statements of the Group have been prepared in accordance 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. The group has presented its consolidation for the second quarter ended June 30, 2011 and the comparative figures for the quarter ended June 30, 2010 and the year December 31, 2010 in IFRS as stated in note 16 below and IFRS 1 have been applied. There have been no changes to the Group's accounting policies since the first quarter results. 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	Vice President Finance

Avnel Gold Mining Limited

Condensed consolidated statement of financial position

June 30, 2011 and December 31, 2010

Expressed in thousands of US Dollars

	Notes	June 30 2011 $'000	December 31 2010 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	17,412	18,134
Total non-current assets		17,412	18,134
CURRENT ASSETS			
Inventories	7	3,976	3,345
Other receivables		765	458
Cash and cash equivalents	9	9,837	2,106
Total current assets		14,578	5,909
TOTAL ASSETS		31,990	24,043
CURRENT LIABILITIES			
Trade and other payables	11	2,062	2,074
Total current liabilities		2,062	2,074
NON-CURRENT LIABILITIES			
Provisions	12	3,441	3,371
Total non-current liabilities		3,441	3,371
Net Assets		26,487	18,598
EQUITY			
Common equity: Authorised - unlimited number of ordinary shares of no par value Issued and outstanding 191,738,840 (2010:166,661,505)	13	50,831	43,915
Warrant/option reserve	14	8,379	5,674
Retained deficit		(26,200)	(25,009)
Other comprehensive income		(14)	-
Total shareholders' equity		32,996	24,580
Non controlling interest		(6,509)	(5,982)
Total Equity		26,487	18,598

Avnel Gold Mining Limited

Condensed consolidated income statement

For the periods ended June 30, 2011 and 2010

Expressed in thousands of US Dollars

(except share and per share information)

	Note	3 months ended June 30 2011 $'000	3 months ended June 30 2010 $'000	6 months ended June 30 2011 $'000	6 months ended June 30 2010 $'000
Revenue		3,918	4,001	6,416	7,583
Cost of operations					
Production costs		2,746	2,576	5,723	6,366
Depletion and depreciation		424	475	819	1,084
		3,170	3,051	6,542	7,450
Gross profit/(loss)		748	950	(126)	133
Administration expense		673	520	1,374	997
Operating profit/(loss)		75	430	(1,500)	(864)
Other income/(expense)					
Finance income/(expense)		17	(135)	18	(269)
Foreign exchange gain/(loss)		(285)	(2,106)	(236)	(3,069)
		(268)	(2,241)	(218)	(3,338)
Loss before tax		(193)	(1,811)	(1,718)	(4,202)
Taxation		-	(1)	-	(2)
Net loss		(193)	(1,812)	(1,718)	(4,204)
Other comprehensive income/(loss)		(18)	(1)	(14)	(6)
Total comprehensive loss		(211)	(1,813)	(1,732)	(4,210)
Attributable to:					
Equity holders of the parent		(72)	(1,362)	(1,205)	(3,226)
Non-controlling interests		(139)	(451)	(527)	(984)
Basic loss per share	6	(0.000)	(0.017)	(0.007)	(0.039)
Diluted loss per share		(0.000)	(0.013)	(0.005)	(0.030)

Avnel Gold Mining Limited

Consolidated Statement of Changes in Equity

Expressed in thousands of US Dollars	Common Stock		Warrant/option	Accumulated	Accumulated Other Comprehensive		Non –controlling interest	Total Stockholders'
	Shares	Amount	Reserve	Deficit	Income/(loss)	Total		Equity
	No.	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At December 31, 2009	80,762,954	28,435	4,898	(23,287)	-	10,046	(4,907)	5,139
Issuance of common stock in payment of interest	1,130,438	173	-	-		173	-	173
Net loss	-	-	-	(3,220)		(3,220)	(984)	(4,204)
Exchange profit	-	-	-	-	(6)	(6)	-	(6)
Comprehensive loss						(3,226)	(984)	(4,210)
At June 30, 2010	81,893,392	28,608	4,898	(26,507)	(6)	6,993	(5,891)	1,102
Issuance of common stock for cash and conversion of debt, net of issue costs	84,768,113	15,961	730	-	-	16,691	-	16,691
Issue costs	-	(654)	-	-	-	(654)	-	(654)
Stock based compensation	-	-	46	-	-	46	-	46
Net profit/(loss)	-	-	-	1,498		1,498	(91)	1,407
Exchange profit	-	-	-	-	6	6	-	6
Comprehensive loss						1,504	(91)	1,413
At December 31, 2010	166,661,505	43,915	5,674	(25,009)	-	24,580	(5,982)	18,598
Issuance of common stock for cash and conversion of debt, net of issue costs	25,077,335	7,677	2,640	-	-	10,317	-	10,317
Issue costs	-	(761)	-	-	-	(761)	-	(761)
Stock based compensation	-	-	65	-	-	65	-	65
Net loss	-	-	-	(1,191)	-	(1,191)	(527)	(1,718)
Exchange profit	-	-	-	-	(14)	(14)	-	(14)
Comprehensive loss						(1,177)	(527)	(1,704)
At June 30, 2011	191,738,840	50,831	8,379	(26,200)	(14)	32,996	(6,509)	26,487

Avnel Gold Mining Limited

Condensed consolidated Statement of Cash Flows

For the periods ended June 30, 2011, and 2010

Expressed in thousands of US Dollars

	6 months ended June 30	6 months ended June 30
	2011	2010
	$'000	$'000
Cash flows from operating activities:		
Net loss for the period	(1,718)	(4,204)
Adjusted for:		
Depreciation of non-current assets	819	1,084
Stock based compensation	65	-
Tax creditor provision	70	72
Finance expense	18	(269)
	(746)	(3,317)
Net changes in working capital items		
Inventories	(631)	712
Prepaid, subscription and other receivables	(502)	63
Trade and other payables	41	1,749
Net cash used by operating activities	**(1,838)**	**(793)**
Cash flows from investing activities:		
Purchases and development of		
Property, plant and equipment	(97)	(117)
Net cash used in investing activities	**(97)**	**(117)**
Cash flows from financing activities:		
Issue of share capital	10,382	-
Issue costs	(761)	-
Repayment of overdraft	-	(165)
Net cash provided/(used) by financing activities	**9,621**	**(165)**
Net increase/(decrease) in cash and cash equivalents	7,686	(1,075)
Exchange (losses)/gains	45	1
Total increase/(decrease) in cash and cash equivalents	7,731	(1,074)
Cash and cash equivalents at beginning of period	2,106	2,027
Cash and cash equivalents at end of period	**9,837**	**953**

Avnel Gold Mining Limited
Notes to the Unaudited Consolidated Financial Statements
For the period ended June 30, 2011

1. Nature of Operations, Liquidity and going concern

Nature of operations
Avnel Gold Mining Limited (the "Company") was incorporated under the laws of Guernsey on February 18, 2005. On February 22, 2005, Elliott Associates L.P., Elliott International L.P. (collectively "Elliott") and Fern Trust ("Fern") acquired 100% of the issued and outstanding common shares of the Company in exchange for 95% of the issued and outstanding shares of Avnel Gold, Limited, a company incorporated in the Cayman Islands, pursuant to a reorganization agreement. Avnel's principal assets are an 80% indirect interest in Société d'Exploitation des Mines d'Or De Kalana, S.A. ("SOMIKA") and a 100% indirect interest in the Fougadian Exploration Permit, through its subsidiary, Avnel Mali SARL. The State of Mali holds the remaining 20% interest in SOMIKA which owns a long tenure (30 years plus two 10 year extensions) Exploitation Permit over 387.4 square kilometres located in South West Mali ("the Kalana Permit").

Avnel operates the small underground Kalana gold mine located in the far northwest of the Kalana Permit extracting narrow quartz veins and with a gravity only recovery process.

Avnel entered into an agreement with IAMGOLD Corporation ("IAMGOLD") on August 10, 2009 pursuant to which IAMGOLD has the right to earn a 51% interest in the Kalana Joint Venture 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. IAMGOLD may increase its share of the available interest in the project up to 65% (assuming Avnel elects to participate in the costs of a feasibility study and if it does not so elect 70%). The IAMGOLD work programme is focused initially and primarily on the evaluation of the Kalana Mine and its environs to examine the potential for a large scale, bulk mineable resource.

On December 6, 2010 the Company announced that it had entered into a joint venture arrangements agreement (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. The Fougadian Permit held by Avnel previously comprised 150 sq. km. to the south of and abutting the Kalana Exploitation Permit. Avnel relinquished the southern half of its ground in accordance with the Malian Mining Code and was granted a new exploration licence on the northern half on March 23, 2010. IAMGOLD has applied for and received an exploration permit in respect of the southern 75 sq. km. The combined permits are referred to as 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.

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.

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

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

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

2. Basis of Preparation/consolidation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011. These are the Group's condensed interim consolidated financial statements prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. No accounting policy changes have occurred in the quarter.

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 accounting policies applied in these financial statements are unchanged from those used in previous annual financial statements.

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 resulting in the reporting of one segment.

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 market value. 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 units-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. Fixed asset 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 carries out a review at each balance sheet date to determine whether there is any indication that that the above assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated based on future cash flows, in order to determine the extent of impairment. Future cash flows are based on estimates of the life of mine reserves together with estimates of future gold prices and cash costs.
The recoverable amount is the higher of fair value less cost to sell and value in use. An impairment is recognised immediately as an expense; where there is a reversal of the conditions leading to impairment, the impairment is reversed as income through the income statement.

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.

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 such costs arises and can be qualified. On recognition of a full position, 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. Closure 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
The Company accounts for all stock options and warrants using a fair value-based method. The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes-Merton 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.

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
Such provisions require a judgement on likely future obligations, based on assessment of technical, legal and economic factors. The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques and changes to the life of mine.

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 is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

Amendments to IFRS7 *"Financial Instruments: Disclosures"_ The amendment requires additional disclosures about financial assets that have been transferred, but not derecognised, to enable better understanding of the relationship between those assets that have not been derecognised and their associated liabilities. The amendment becomes effective for annual periods beginning on or after July 1, 2011.*

IFRS9 "*Financial Instruments: Classification and Measurement*" – This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, "*Financial Instruments: Recognition and Measurement*". IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded is recorded at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit or loss. In addition, this new standard has been updated to include guidance on financial liabilities and derecognition of financial instruments. This new standard is effective for years beginning on/after January 1, 2013.

6. **Loss per share**

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

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year 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 loss and share data used in the basic and diluted earnings per share computations:

Basic loss per share

	6 Months June 2011	6 Months June 2010
Net loss attributable to ordinary equity holders of the parent	(1,205)	(3,226)
Weighted average number of ordinary shares for basic earnings per share	179,263,857	81,843,428
	(0.007)	**(0.039)**

Diluted loss per share

Net loss attributable to ordinary equity holders of the parent	(1,205)	(3,226)
Weighted average number of ordinary shares adjusted for the effect of dilution	239,249,059	107,973,491
	(0.005)	**(0.030)**

Basic loss per share

	3 Months June 2011	3 Months June 2010
Net loss attributable to ordinary equity holders of the parent	(72)	(1,362)
Weighted average number of ordinary shares for basic earnings per share	191,727,095	81,893,392
	(0.000)	**(0.017)**

Diluted loss per share

Net loss attributable to ordinary equity holders of the parent	(72)	(1,362)
Weighted average number of ordinary shares adjusted for the effect of dilution	259,203,479	107,986,731
	(0.000)	**(0.013)**

7. Inventories

	June 30 2011 $'000	December 31 2010 $'000
Metal inventory	1,348	625
Materials and supplies	2,628	2,720
	3,976	3,345

8. Other receivables

	June 30 2011 $'000	December 31 2010 $'000
Other receivables	765	458

9. Cash and cash equivalents

	June 30 2011 $'000	December 31 2010 $'000
Cash at bank and in hand	1,135	606
Short term bank deposits	8,702	1,500
	9,837	2,106

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 Capitalised Development $'000	Mine equipment $'000	UK Office equipment $'000	Total $'000
Cost					
Balance December 31, 2010	3,455	20,646	9,486	88	33,675
Additions	-	48	44	5	97
Balance June 30, 2011	**3,455**	**20,694**	**9,530**	**93**	**33,772**
Accumulated Depreciation					
Balance December 31, 2010	1,671	8,957	4,845	68	15,541
Expense for the period	40	365	409	5	819
Balance June 30, 2011	**1,711**	**9,322**	**5,254**	**73**	**16,360**
Net Book Value					
December 31, 2010	1,784	11,689	4,641	20	18,134
June 30, 2011	**1,744**	**11,372**	**4,276**	**20**	**17,412**

11. Trade and other payables

	June 30 2011 $'000	December 31 2010 $,000
Trade payables	660	855
Accrued expenses	1,402	1,219
	2,062	2,074

12. Provisions

	June 30 2011 $,000	December 31 2010 $,000
Decommissioning provision	1,713	1,713
Withholding tax provision	1,728	1,658
	3,441	3,371

Decommissioning provision

During 2006, the Company commissioned an environmental report by an independent party which estimated a cash flow cost for the retirement and rehabilitation of the Kalana Gold Mine of $2,236,000 to be completed in 2018. 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 Company has used a credit-adjusted risk-free rate of 3.0% to discount future cash flows in arriving at the fair value of its asset retirement and rehabilitation obligations.

Withholding tax provision

The long term tax creditor relates to withholding tax which may be payable in Mali arising when SOMIKA's inter-company loan arising from interest and fees is repaid to Avnel Gold Mining Limited. Management are unable to determine when the settlement of this provision is likely to happen.

13. Share Capital

	No.	$'000
At January 1, 2011	166,661,505	43,915
Issued during the period	25,077,335	6,916
At June 30, 2011	191,738,840	50,831

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.

On March 21, 2011, 5,698 shares were issued upon the exercise of warrants issued on August 5, 2010.

On March 31, 2011 the Company completed a private placement of 25,000,000 Units of Avnel at a price of C$0.40 per Unit. Each Unit consisted of one common share and one-half of one common share purchase warrant (each whole warrant a "Warrant"). Each Warrant entitles the holder to purchase one common share at a price of C$0.40, at any time for a period of 18 months from the date of issue of the Warrants. The gross proceeds of the Private Placement were C$10,000,000.

On April 5, 2011, 56,985 shares were issued upon the exercise of warrants issued on August 5, 2010.
On May 10, 2011, 7,326 shares were issued upon the exercise of warrants issued on August 5, 2010.
On June 6, 2011, 7,326 shares were issued upon the exercise of warrants issued on August 5, 2010.

14. Warrant/option reserve

	2011
	$'000
At January 1, 2011	5,674
Issued during the year	2,705
At June 30, 2011	8,379

The fair value of the warrants granted on March 31, 2011 in relation to the Private Placement has been calculated using a binominal pricing model to allow for dilution. The warrants have been valued at $2,640,000 assuming a volatility of 93% and a risk free rate of 1.8% and an expected 1.5 year life.

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. The fair value of the options granted on January 1, 2011 has been calculated using Black-Scholes model. The options have been valued at $65,000 assuming a volatility of 77% and a risk free rate of 2.5% and an expected 6 year life.

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

	As at December 31, 2010	**Forfeited or expired**	**Granted**	**Exercised**	**As at June 30, 2011**
Warrants issued to IAMGOLD on August 10, 2009 @ C$0.45	**2,000,000**	-	-	-	**2,000,000**
Warrants issued on private placement on August 5, 2010 @ C$0.35	**42,384,058**	-	-	(62,683)	**42,321,375**
Broker Warrants issued on private placement on August 5, 2010 @ C$0.20	**1,375,944**	-	-	(9,768)	**1,366,176**
Broker Warrant rights on private placement on August 5, 2010 @ C$0.35	**687,972**	-	-	(4,884)	**683,088**
Warrants issued on private placement on March 31, 2011 @ C$0.70	**-**	-	12,500,000	-	**12,500,000**
Broker Warrants issued on private placement on March 31, 2011 @ C$0.40	**-**	-	1,750,000	-	**1,750,000**
Broker Warrant rights on private placement on March 31, 2011 @ C$0.70	**-**	-	875,000	-	**875,000**
Stock Option Plan	**2,969,000**	-	500,000	-	**3,469,000**
Meade Compensation Option	**2,500,000**	-	-	-	**2,500,000**
Options or rights to purchase common shares	**51,916,974**	**-**	**15,625,000**	**(77,335)**	**67,464,639**

15. Commitments and operating leases

Future operating leases are as follows:

	2011	**2010**
	$'000	**$'000**
Within one year	135	6
Within two to five years	-	178
	135	184

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 $132,000.

The Company has entered into an operating lease for an office building in Bamako, Mali. The lease expires in June 2012. The remaining commitment at June 30, 2011 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. IFRS (International Financial Reporting Standards)

While the adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to understand these changes, the Company's US GAAP statement of consolidate income and statement of financial position for the 6 months ended June, 30, 2010 have been reconciled to IFRS.

Group reconciliation of equity as at June 30, 2010

Expressed in thousands of US Dollars

	USGAAP	**IFRS adj**	**IFRS**
	June 2010	**June 2010**	**June 2010**
	$,000	**$'000**	**$'000**
NON-CURRENT ASSETS			
Property, plant and equipment	17,977	687	18,664
Total non-current assets	17,977	687	18,664
CURRENT ASSETS			
Inventories	2,788	-	2,788
Other receivables	1,033	-	1,033
Cash and cash equivalents	953	-	953
Total current assets	4,774	-	4,774
TOTAL ASSETS	22,751	687	23,438
CURRENT LIABILITIES			
Loans	13,821	-	13,821
Trade and other payables	5,215	-	5,215
Total current liabilities	19,036	-	19,036
Provisions	2,631	669	3,300
Total non-current liabilities	2,631	669	3,300
Net Assets	1,084	18	1,102
EQUITY			
Common stock: Authorised - unlimited number of ordinary shares of no par value Issued and outstanding 81,893,392	28,608	-	28,608
Warrant/option reserve	4,898	-	4,898
Retained deficit	(32,406)	5,899	(26,507)
Accumulated other comprehensive income	(16)	10	(6)
Total stockholders' equity	1,084	5,909	6,993
Non controlling interest	-	(5,891)	(5,891)
Total Equity	1,084	18	1,102

Group reconciliation of the Consolidated income statement for the 6 months to June 30, 2010

Expressed in thousands of US Dollars

(except share and per share information)

	USGAAP	IFRS adj	IFRS
	June 2010	June 2010	June 2010
	$'000	$'000	$'000
Revenue	7,583	-	7,583
Cost of sales	6,421	(55)	6,366
Depletion and depreciation	1,047	37	1,084
	7,468	(18)	7,450
Gross profit	115	18	133
Administration expense	997	-	997
Operating (loss)/profit	(882)	18	(864)
Other income/(expense)			
Finance expense	(269)	-	(269)
Foreign exchange (loss)/gain	(3,069)	-	(3,069)
	(3,338)	-	(3,338)
(Loss)/profit before tax	(4,220)	18	(4,202)
Taxation	(2)	-	(2)
(Net loss)/profit	(4,222)	18	(4,204)
Other comprehensive loss	(6)	-	(6)
Total comprehensive (loss)/income	(4,228)	18	(4,210)
Attributable to:			
Equity holders of the parent	(3,240)	14	(3,226)
Non-controlling interests	(988)	4	(984)
Basic loss per share	(0.040)	-	(0.039)
Weighted average shares outstanding	81,843,428	-	81,843,428
Diluted loss per share	(0.030)	-	(0.030)
Weighted average shares outstanding	107,973,491	-	107,973,491

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.

Malian Labour Tribunal

On December 27, 2010 the Bamako Labour Tribunal announced a verbal decision to grant a claim in favour of the SOMIKA's employees retrenched in 2009 valued at $231,000. This was followed by a written judgement in February 2011 stating that the correct legal procedures were not followed on the retrenchment. The Company and its legal advisors strongly dispute the decision and consider that all legal processes were correctly followed by the Company. The Company has lodged an appeal against the decision.