AVNEL GOLD MINING LIMITED
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015

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 quarter. 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

March 31, 2015 and December 31, 2014

Expressed in thousands of US Dollars

	Notes	March 31 2015 $'000	December 31 2014 $'000
NON-CURRENT ASSETS			
Exploration and evaluation assets	5	2,265	1,968
Property, plant and equipment	6	10,012	11,710
Total non-current assets		12,277	13,678
CURRENT ASSETS			
Inventories	2	3,724	3,518
Other receivables	3	877	1,025
Cash and cash equivalents	4	6,259	7,709
Total current assets		10,860	12,252
TOTAL ASSETS		23,137	25,930
CURRENT LIABILITIES			
Trade and other payables	7	1,902	2,435
Total current liabilities		1,902	2,435
NON-CURRENT LIABILITIES			
Other derivative financial liability	8*	5,161	5,457
Provisions	9	3,170	3,136
Total non-current liabilities		8,331	8,593
Net Assets		12,904	14,902
Common equity:			
Issued equity	10	56,809	56,809
Warrant/option reserve	11	2,867	2,836
Foreign exchange reserve		(1,974)	(457)
Retained deficit		(31,030)	(31,116)
Total shareholders' equity		26,672	28,072
Non-controlling interest		(13,768)	(13,170)
Total Equity		12,904	14,902

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

Avnel Gold Mining Limited
Condensed consolidated statement of total comprehensive income
For the three months ended March 31, 2015 and 2014
Expressed in thousands of US Dollars
(except share and per share information)

	Notes	March 31 2015 $'000	March 31 2014 $'000
Revenue		3,087	2,784
Cost of operations			
Production costs		2,128	3,302
Exploration costs		-	300
Depletion and depreciation	6	465	503
		2,593	4,105
Gross profit/(loss)		494	(1,321)
Administration expense		816	763
Operating loss		(322)	(2,084)
Other income/(expense)			
Net gain on other financial derivatives	8*	296	-
Other finance expense		(15)	(15)
Interest income		1	-
Foreign exchange loss		(93)	(70)
		189	(85)
Loss before tax from continuing operations		(133)	(2,169)
Taxation		-	-
Net loss from continuing operations		(133)	(2,169)
Other comprehensive expense:			
Exchange differences on translation of foreign operations		(1,896)	(12)
Total comprehensive loss		(2,029)	(2,181)
Net profit/(loss) from continuing operations attributable to:			
Equity holders of the parent		86	(1,684)
Non-controlling interests		(219)	(485)
Total comprehensive loss attributable to:			
Equity holders of the parent		(1,431)	(1,694)
Non-controlling interests		(598)	(487)
Basic profit/(loss) per share from continuing operations	1	$0.000	($0.009)
Diluted profit/(loss) per share from continuing operations	1	$0.000	($0.009)

Notes;
8* 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

Consolidated Statement of Changes in Equity
For the three months ended March 31, 2015 and 2014 and the year ended December 31, 2014

	Issued capital		Warrant/option	Retained	Foreign exchange			Total
	Shares	Amount	Reserve	Deficit	reserve	Total	Non - controlling Interest	Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$,000
At December 31, 2013	**191,743,724**	**50,550**	**2,527**	**(22,634)**	**1,402**	**31,845**	**(10,891)**	**20,954**
Loss for the year	-	-	-	(1,684)	-	(1,684)	(485)	(2,169)
Other comprehensive income	-	-	-	-	(10)	(10)	(2)	(12)
Total Comprehensive (loss)/income	-	-	-	(1,684)	(10)	(1,694)	(487)	(2,181)
At March 31, 2014	**191,743,724**	**50,550**	**2,527**	**(24,318)**	**1,392**	**30,151**	**(11,378)**	**18,773**
Loss for the year	-	-	-	(6,798)	-	(6,798)	(1,329)	(8,127)
Other comprehensive expenditure	-	-	-	-	(1,849)	(1,849)	(463)	(2,312)
Total Comprehensive loss	-	-	-	(6,798)	(1,849)	(8,647)	(1,792)	(10,439)
Stock based compensation	100,000	13	167	-	-	180	-	180
Issuance of common stock for cash	69,586,400	7,138	-	-	-	7,138	-	7,138
Issue costs	-	(892)	142	-	-	(750)	-	(750)
At December 31, 2014	**261,430,124**	**56,809**	**2,836**	**(31,116)**	**(457)**	**28,072**	**(13,170)**	**14,902**
Loss for the year	-	-	-	86	-	86	(219)	(133)
Other comprehensive expenditure	-	-	-	-	(1,517)	(1,517)	(379)	(1,896)
Total Comprehensive loss	-	-	-	86	(1,517)	(1,431)	(598)	(2,029)
Stock based compensation	-	-	31	-	-	31	-	31
At March 31, 2015	**261,430,124**	**56,809**	**2,867**	**(31,030)**	**(1,974)**	**26,672**	**(13,768)**	**12,904**

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

Avnel Gold Mining Limited
Consolidated Statement of Cash Flows
For the three months Ended March 31, 2015 and 2014

Expressed in thousands of US Dollars

	Notes	March 31 2015 $'000	March 31 2014 $'000
Cash flows from operating activities:			
Net loss for the period		(133)	(2,169)
Adjusted for:			
Finance expense on unwinding of decommissioning provision	9	15	15
Depletion and Depreciation	6	465	503
Stock based compensation	11	31	-
Tax creditor provision	9	19	17
Finance income		(1)	-
Net (gain)/loss on other financial derivatives	8	(296)	-
		100	(1,634)
Net changes in working capital items:			
Inventories	2	(206)	29
Other receivables	3	148	(180)
Trade and other payables	7	(537)	(235)
Net foreign exchange difference		(336)	-
Net cash used in operating activities		**(831)**	**(2,020)**
Cash flows from investing activities:			
Exploration and evaluation asset expenditure	5	(509)	-
Purchases of Property, plant and equipment	6	(2)	(12)
Net cash used in investing activities		**(511)**	**(12)**
Cash flows from financing activities:			
Issue of share capital		-	-
Issue costs		-	-
Finance income		-	-
Net cash provided by financing activities		**-**	**-**
Net decrease in cash and cash equivalents		**(1,342)**	**(2,032)**
Foreign exchange difference		(108)	-
Total decrease in cash and cash equivalents		**(1,450)**	**(2,032)**
Cash and cash equivalents at beginning of period		7,709	5,799
Cash and cash equivalents at end of period		**6,259**	**3,767**

1. Corporate information, Liquidity and Going Concern

Corporate information

Avnel Gold Mining Limited (the "Company") was incorporated under the laws of Guernsey on February 18, 2005 and is domiciled in Guernsey. 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.

Avnel is a gold mining and exploration company whose principal asset is an 80% indirect equity interest in Société d'Exploitation des Mines d'Or De Kalana, S.A. ("SOMIKA"), with the Republic of Mali holding the remaining 20% equity interest that has free carry and anti-dilution rights. SOMIKA owns a long tenure (30 years plus two 10-year extensions) exploitation permit that was granted in 2003 and covers an area of 387.4 square kilometres (km^2) located in southwestern Mali (the "Kalana Exploitation Permit"). The Company also has exploration permits and interests to the immediate south of the Kalana Project, which are collectively referred to as the Fougadian Project.

Kalana Exploitation Permit

The Kalana Exploitation Permit was acquired by Avnel through a privatisation tender awarded in December 2002 and the permit was transferred to Avnel's 80% owned subsidiary, SOMIKA in April 2003.

A small underground mine with name plate capacity 60,000 tonnes per year and a gravity only gold recovery plant was designed and built by the Russians (SONAREM & SOGEMORK) between the mid-1960's and 1985 and operated by the Russians until 1991 under a Soviet financial and technical aid programme to Mali. Mining operations were resumed by SOMIKA in January 2004 with commercial production commencing in March 2004. Avnel continues to operate the small underground mine principally for exploration purposes and to maintain socio economic stability in the local community. The mine operates as a narrow vein hard rock mine (below the weathered horizon) with gravity gold recovery.

The Company's strategic objective, through SOMIKA, is to develop the Kalana Main deposit into an open pit mining operation. The Company is currently advancing the Kalana Main deposit towards this objective and expects to complete a DFS in the first quarter of 2016. The Kalana Main project is expected to be sufficiently advanced for the Company to consider a construction decision during 2016, subject to the availability of project financing, receipt of a positive DFS, and approval of an ESIA. A secondary objective of the Company is to explore the Kalana and Fougadian projects to discover new mineral deposits.

On March 31, 2014, the Company reported a Mineral Resource estimate and the results of a Preliminary Economic Assessment ("PEA") prepared by Snowden Mining Industry Consultants. The PEA outlines a 14-year open-pit mine life at the Kalana Main Project recovering 1.46 million ounces of gold at an average "all-in sustaining cost" of $577 per ounce with an initial capital cost of $149 million. Utilizing a gold price of $1,110 per ounce and a 10% discount rate, the PEA reported a net present value ("NPV") of $194 million after-tax and imputed interest, and an internal rate of return ("IRR") of 53% on a 100% project basis. For further information with respect to the PEA and the associated Mineral Resource estimate, please refer to the related NI 43-101 compliant technical report available at the Company's website at www.avnelgold.com and on SEDAR (www.sedar.com) under the Company's profile.

On March 26, 2015, the Company announced an updated Mineral Resource Statement (the "March 2015 MRE") that reported that total pit-constrained Indicated mineral resources had increased to 2.15 million ounces (15.2 million tonnes grading 4.40 g/t Au at a 0.9 g/t Au cut-off) and that total inferred mineral resources had increased to 0.38 million ounces (2.18 million tonnes grading 5.33 g/t Au). The March MRE 2015 has been prepared in accordance with the Canadian Institute of Mining Metallurgy and Petroleum "CIM" Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council. The March 2015 MRE is an integral part of a series of studies for a Definitive Feasibility Study ("DFS") for the Kalana Main Project that is scheduled to be completed in the first quarter of 2016.

Liquidity and Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realise its assets and discharge its liabilities in the normal course of business. At March 31, 2015 the Company had net current assets of $8,958,000 including a cash balance of $6,259,000.

On May 7, 2015 the Company closed a Bought Deal financing and issued 42,900,000 units ("the Units") in the capital of the Company at a price of C$0.28 per Unit for gross proceeds of C$12,012,000. Each Unit consisted of one ordinary share in the capital of the Company and one half of one share purchase warrant. Each whole warrant is exercisable into one ordinary share at an exercise price of C$0.40 per share for a period of 24 months. The proceeds will be used for completion of the DFS and general corporate purposes.

Supported by the results of the March 2015 MRE and the March 2014 PEA, the Company's Board of Directors considers the Kalana Project to be a valuable asset. The Board of Directors recognise that the continuing operations of the Company are dependent upon its ability to raise adequate financing and that additional funding will be required to develop the proposed Kalana Main open pit mine. The directors recognise that this represents a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the consolidated financial statements.

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 and warrants 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 Guernsey, 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 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, are non-interest bearing and are generally on 30-90 day terms.

Mineral exploration, evaluation and development expenditure

(i) Pre-license costs

Pre-license costs relate to costs incurred before the group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period they are incurred.

(ii) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activities include:

- Researching and analysing historic data

- Gathering exploration data through geophysical studies
- Exploration drilling and sampling
- Determining and examining the volume and grade of the resource

These costs are expensed in the period they arise unless the directors conclude that it is more likely than not that a future economic benefit will be realised.

Exploration and evaluation expenditure incurred on licenses where a NI 43-101 compliant resource has not yet been established is expensed.

Upon establishment of a NI 43-101 compliant resource, and where the directors consider that the resource is economic, the Group capitalises any further evaluation expenditure under Exploration and evaluation assets. Capitalised exploration and evaluation expenditure is considered to be a tangible asset.

Upon completion of the mine construction phase, expenditure is transferred from Exploration and evaluation asset to Property, plant and equipment.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgement in determining whether economic benefits may be realised, which are based on assumptions about future events. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalised, any information becomes available suggesting that the expenditures are not recoverable, the amount capitalised is recognised in the consolidated statement of comprehensive income as impairment in the period when the new information becomes available.

Property, Plant and Equipment
Acquisition, evaluation and development costs associated with properties brought into production are charged to the statement of comprehensive income 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 ten 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 operating results.

Impairment of Property, Plant and Equipment
The Company assesses its cash generating units 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 complex, 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, 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 Group 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 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 Statement of Comprehensive Income.

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.

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 country and state and local jurisdictions in which it operates. The Group'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. Withholding taxes are shown as operating costs and they fall outside the scope of IAS 12 *Income Taxes*.

Foreign Currency
The Group's reporting currency is 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 the warrant/option 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.

On expiration or exercise of the warrants/options the fair value of the warrants and options are transferred to retained earnings.

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 on estimates of future cash flows. For the quarter ended March 31, 2015 there were no indicators of impairment arising from management's review.

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 with 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 tax 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% (2013: 3%) and changes in discount rates 3% (2013: 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.

Other Derivative Financial Liabilities

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

New and Amended Standards and Interpretations

There were a number of new standards and interpretations, effective from January 1, 2014, that the group applied for the first time in the current year.

- Amendments to IFRS 10, IFRS 11 and IFRS 12. These amendments are effective for annual accounting periods beginning on or after 1 January 2014 and provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. These amendments did not have a material impact on these financial statements;
- IAS 32, 'Financial Instruments: Presentation', the amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This amendment did not have a material impact on these financial statements;
- IAS 36, 'Impairment of assets', this amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal; This amendment did not have a material impact on these financial statements;
- IAS 39, 'Financial Instruments: Recognition and Measurement', clarifying novation of derivatives and continuation of hedge accounting. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments did not have any impact on these financial statements;
- IFRIC 21, 'Levies', clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is

triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This amendment did not have any impact on these financial statements; and

Future Accounting Policies

The following new standards and amendments to standards and interpretations were not yet effective for the quarter ended March 31, 2015, and have not been applied in preparing these consolidated financial statements. These are summarised below:

- IFRS 9 'Financial Instruments', effective for annual accounting periods beginning on or after 1 January 2018. IFRS 9 amends the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on a financial asset, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently assessing the impact on the financial statements.
- IFRS 15 'Revenue from Contracts with Customers', effective for annual accounting periods beginning on or after 1 January 2017. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group is currently assessing the impact on the financial statements.
- Amendments to IAS 16 and IAS 38, clarification of acceptable methods of depreciation and amortisation, effective for annual accounting periods beginning on or after 1 January 2016. The Group is currently assessing the impact on the financial statements.

1. Profit/(loss) per share

Basic profit/(loss) per share amounts are calculated by dividing net profit/(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 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 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 profit/ (loss) and share data used in the basic and diluted earnings per share computations:

Basic and Diluted (loss)/profit per share

	3 Months Mar 2015	3 Months Mar 2014
	$,000	$,000
Net profit/(loss) attributable to ordinary equity holders of the parent	86	(1,684)
Weighted average number of ordinary shares for basic earnings per share	261,430,124	191,743,724
Basic profit/(loss) per share attributable to ordinary equity holders of the parent	0.000	(0.009)

Effect of dilutive potential ordinary shares granted of warrants and options granted	15,634,453	-
Diluted weighted average number of ordinary shares for basic earnings per share	277,064,577	191,743,724
Basic profit/(loss) per share attributable to ordinary equity holders of the parent company	0.000	(0.009)

Share options and warrants could potentially dilute earnings per share in future periods but were not included in the calculations as they were anti-dilutive in the three months to March 31, 2014.

2. Inventories

	Mar 31 2015 $'000	Dec 31 2014 $'000
Metal inventory	1,507	954
Materials and supplies	2,217	2,564
	3,724	3,518

3. Other Receivables

	Mar 31 2015 $'000	Dec 31 2014 $'000
Refundable VAT in Mali	595	887
Prepayment and other	282	138
	877	1,025

4. Cash and Cash Equivalents

	Mar 31 2015 $'000	Dec 31 2014 $'000
Cash at bank and in hand	1,468	2,419
Short term bank deposits	4,791	5,290
	6,259	7,709

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

5. Exploration and Evaluation Assets

	Mar 31 2015 $'000	Dec 31 2014 $'000
At December 31,	1,968	-
Additions	509	1,968
Exchange adjustments	(212)	-
At March 31, 2015 and December 31. 2014	2,265	1,968

The additions to March 31, 2015 relate to the DFS at the Kalana Main Project, which have been capitalised in line with the Company's Accounting Policy.

6. 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, 2014	3,411	19,189	9,998	124	32,722
Additions	-	-	2	-	2
Exchange adjustments	(366)	(2,056)	(1,071)	(6)	(3,499)
Balance March 31, 2015	**3,045**	**17,133**	**8,929**	**118**	**29,225**
Accumulated Depreciation					
Balance December 31, 2014	1,913	10,573	8,424	102	21,012
Expense for year	30	171	259	5	465
Exchange adjustments	(206)	(1,140)	(913)	(5)	(2,264)
Balance March 31, 2015	**1,737**	**9,604**	**7,770**	**102**	**19,213**
Net Book Value					
December 31, 2014	1,498	8,616	1,574	22	11,710
March 31, 2015	**1,308**	**7,529**	**1,159**	**16**	**10,012**

7. Trade and Other Payables

	Mar 31 2014 $'000	Dec 31 2014 $,000
Trade payables	843	1,086
Accrued expenses	1,059	1,349
	1,902	2,435

8. Other Derivative Financial Liabilities

	3 Months Mar 2015 $,000	3 Months Mar 2014 $,000
Net profit on other financial derivatives	296	-
	296	-

The net (loss)/gain arising on derivative financial liabilities relates to the fair value, in accordance with IFRS, of share purchase warrants issued as part of the Private Placements. 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. As such, the share purchase warrants are 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 instruments issued is included in the 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 share purchase warrants issued as part of the 2014 Private Placement were initially valued at $2,465,000, assuming a volatility of 80%, a risk free rate of 1.0% and an expected 2.5 year life. At March 31, 2015 the fair value of the warrant liability decreased to $5,017,000 with the resultant profit passing through the Statement of Comprehensive Income.

The share purchase warrants issued as part of the 2014 Link Private Placement were initially valued at $92,000, assuming a volatility of 83% and a risk free rate of 1.0% and an expected 2 year life. At March 31, 2015 the fair value of the warrant liability decreased to $144,000 with the resultant profit passing through the Statement of Comprehensive Income.

Warrants issued	**Expiry date**	**No. warrants**	**Fair value at inception**	**Fair value at Dec 31 2014**	**Fair value at Mar 31 2015**
			US$'000	**US$'000**	**US$'000**
20c July 17, 2014	January 17, 2017	67,586,400	2,465	5,304	5,017
25c September 18, 2014	September 18, 2016	2,000,000	92	153	144
			2,557	**5,457**	**5,161**

9. Provisions

	Withholding Tax Provision	Decommissioning Provision	Total
	$,000	$,000	$,000
At December 31, 2014	1,153	1,983	3,136
Arising during the year	19	-	19
Unwinding of discount rate	-	15	15
Closing balance March 31, 2015	1,172	1,998	3,170

Decommissioning Provision

The Company commissioned an environmental report by an independent party. This estimated costs for the retirement and rehabilitation of Kalana Mine of $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 currently estimated to occur in 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 in particular the outcome of the definitive feasibility study which is currently under way.

Withholding Tax Provision

The withholding tax provision relates to withholding tax on fees which may arise in Mali. Management are unable to determine the timing of the settlement of the provision at this date and disputes that there is a liability to pay withholding taxes to foreign suppliers including the Company as the operator entitled to the fees concerned.

10. Share Capital

	No.	$'000
At December 31, 2014	261,430,124	56,809
Issued during the period	-	-
At March 31, 2015	261,430,124	56,809

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.

11. Warrant/option reserve

	Mar 31 2015	December 31 2014
	$'000	$'000
At January 1,	2,836	2,527
Broker warrants granted/(expired) during the year	-	142
LTIP compensation options charged to profit and loss during the period	31	167
At March 31, 2015 and December 31, 2014	2,867	2,836

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. On expiration or exercise of the warrants/options the fair value recognised at grant date is transferred to retained earnings.

Warrants were issued to brokers as compensation for their services in the equity issuance.

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 2014 private placements the Company issued 2,032,776 warrants and 810,000 rights to the brokers. Each warrant entitles the holder to purchase one ordinary share of Avnel at a price of C$0.15 at any time for a period of 24 months from the date of issue of the warrants. Each right entitles the holder to purchase one ordinary share of Avnel at the price of C$0.20 at any time for a period of 30 months from the date of issue of the rights.

The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model and the related stock-based compensation expense is recognised over the vesting period. The fair value of stock options granted to employees is measured at the date of the grant. Compensation charged in the quarter to March 31, 2015 amounted to $31,000 (2014; $Nil).

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

	As at Dec 31, 2014	**Forfeited or expired**	**Granted**	**Exercised**	**As at Mar 31, 2015**
Broker Warrants issued on private placement on July 17, 2014 @ C$0.15	**2,032,776**	-	-	-	**2,032,776**
Broker Warrant rights on private placement on July 17, 2014 @ C$0.20	**810,000**	-	-	-	**810,000**
Stock Option Plan	**6,704,000**	-	-	-	**6,704,000**
Meade Compensation Option	**2,500,000**	-	-	-	**2,500,000**
Options or rights to purchase common shares	**12,046,776**	**-**	**-**	-	**12,046,776**

12. Commitments and Operating Leases

Future operating leases are as follows:

	Mar 31 2015 $'000	December 31 2014 $'000
Within one year	145	152
Within two to five years	36	76
	181	228

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 $181,000.

13. Related Party Transactions

The Company has entered into an operating lease for office space with Fern. Rent expense amounted to $37,000 in the three months to March 31, 2015 (2014: $39,000). The rental payments are denominated in Sterling, 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 $87,000 of explosives in the three months to March 31, 2015 (2014: $177,000) 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 Mar 2015 $'000	3 Months Mar 2014 $'000
Wages and salaries	324	303
Directors' fees	23	23
	347	326

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 March 31, 2015	Number outstanding December 31, 2014
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
05/04/13	25/03/2023	C$0.35	50.000	50,000
05/09/14	05/09/19	C$0.25	300,000	-
05/09/14	05/09/19	C$0.20	1,160,000	-
Total			6,034,000	4,574,000

Issue Date	Expiry date	Exercise price	Number outstanding March 31, 2015	Number outstanding December 31, 2014
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 three months of 2015 and the year-ended December 31, 2014 between the Company and Group companies that were not wholly owned, in respect of management fees and interest on loans.

$'000 **2015**	Avnel Gold Mining Limited	Avnel Gold Mining Limited	$'000 **2014**	Avnel Gold Mining Limited	Avnel Gold Mining Limited
	Charged three months to Mar 31, 2015	Balance Mar 31, 2015		Charged in year December 31, 2014	Balance December 31, 2014
SOMIKA	1,580	72,298		5,868	70,538
Total	**1,580**	**72,298**		**5,868**	**70,538**

14. 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. A further report covering 2010 and 2011 was received in November 2013. The inspector was claiming $7.2 million including penalties, alleging payment of interest and fees, (which is disputed), withholding tax on foreign suppliers and VAT exemption. Management believe strongly that the majority of the tax claims are unfounded and have taken external advice. Management responded to the inspector in December 2013 contesting the claim and held a working clarification meeting in January 2014. A reassessment was received on July 14, 2014 for $6.5 million, which does not give rise to an obligation to pay. On July 16, 2014 a letter disputing the re-assessment was sent and discussions continue.

15. Post Condensed Consolidated Statement of Financial Position Events

On May 7, 2015 the Company closed a Bought Deal financing and issued 42,900,000 units ("the Units") in the capital of the Company at a price of C$0.28 per Unit for gross proceeds of C$12,012,000. Each Unit consisted of one ordinary share in the capital of the Company and one half of one share purchase warrant. Each whole warrant is exercisable into one ordinary share at an exercise price of C$0.40 per share for a period of 24 months.