AVNEL GOLD MINING LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

Corporate information

DIRECTORS	Howard Miller (Chairman) John Kearney (Non-executive & Lead Director) Ibrahim Kantao (Non-executive Director) Anthony Bousfield (Non-executive Director) Jonas Rydell (Non-executive Director) Andrew King (Non-executive Director) Keith McCandlish (Non-executive Director)
AUDITORS	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom
REGISTERED OFFICE	Legis House 11 New Street St. Peter Port Guernsey GY1 2PF

REPORT OF THE DIRECTORS

DATE OF INCORPORATION

Avnel Gold Mining Limited ("Avnel" or the "Company") was incorporated in Guernsey on February 18, 2005.

PRINCIPAL ACTIVITIES

Avnel was established for the purpose of becoming the holding company for, and to carry on the business of, Avnel Gold, Limited ("Avnel Cayman"), a corporation incorporated under the laws of the Cayman Islands, pursuant to a reorganization completed on February 22, 2005. Avnel Cayman and subsidiaries own and operate a gold mine located in the southwest of Mali (the "Kalana Gold Mine") and the surrounding exploitation property (the "Concession"), and hold rights to the Kalana exploration and exploitation permit. The Company and its consolidated subsidiaries for financial reporting purposes are referred to herein as the "Group".

FINANCIAL RESULTS

The financial results of the Group are reflected in the financial statements appearing on pages 8-44.

DIVIDENDS

The Company has not declared any dividends during the year (2014:$ nil). The directors do not propose payment of a dividend.

DIRECTORS

The directors who served during the year, and up to the date of this report, were as follows unless otherwise stated:

	Appointed
Howard Miller	February 23, 2005
John Kearney	February 23, 2005
Ibrahim Kantao	February 23, 2005
Anthony Bousfield	February 23, 2005
Jonas Rydell	February 23, 2005
Andrew King	March 30, 2015
Keith McCandlish	March 30, 2015

GOING CONCERN

Note 1 to the consolidated financial statements describes the existence of a material uncertainty over going concern due to the need for the Company to raise adequate financing in the second half of 2016 for working capital purposes. As set out in note 1, the directors believe that the required financing will be raised and therefore the consolidated financial statements have been presented on the basis that the Company is a going concern.

DIRECTORS' STATEMENT AS TO THE DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who were members of the board at the time of approving the directors' report are listed above. Having made enquiries of fellow directors and of the Company's auditor, each of the directors confirms that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- each director has taken all steps a director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

"Howard B Miller"	March 30, 2016
……………………	....
Director	Date

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and generally accepted accounting principles. The directors have chosen to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Guernsey company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the group at the period end and of the profit or loss of the group for the period then ended. In preparing these financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements prepared by the group comply with the requirements of the Companies (Guernsey) Law 2008. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVNEL GOLD MINING LIMITED

We have audited the accompanying consolidated financial statements of Avnel Gold Mining Limited which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at December 31, 2015 and December 31, 2014 and of the Group's results for the years then ended;
- have been properly prepared in accordance with IFRS as issued by the IASB; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Emphasis of Matter

We draw attention to note 1 to the consolidated financial statements regarding the Group's ability to continue as a going concern. The conditions described in note 1 indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern. Our opinion is not qualified in respect of this matter.

Ernst & Young LLP

London,

England

March 30, 2016

Notes:

1. The maintenance and integrity of the Avnel Gold Mining Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Avnel Gold Mining Limited
Consolidated statement of comprehensive income
For the years ended December 31, 2015 and 2014
Expressed in thousands of US Dollars
(except share and per share information)

	Notes	2015 $'000	2014 $'000
Revenue	6	11,360	12,024
Cost of operations			
Production costs	7	10,794	12,956
Exploration costs	11	260	342
Depletion and depreciation	15	1,696	2,050
		12,750	15,348
Gross loss		(1,390)	(3,324)
Administration expenses	8	3,298	3,692
Operating loss		(4,688)	(7,016)
Other gain/(expense)			
Net gain/(loss) on other financial derivatives	18*	2,166	(2,901)
Other finance expense	9	(175)	(132)
Interest income		7	6
Foreign exchange loss		(158)	(258)
		1,840	(3,285)
Loss before tax from continuing operations		(2,848)	(10,301)
Taxation	25	-	5
Net loss from continuing operations		(2,848)	(10,296)
Other comprehensive income:			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(1,961)	(2,324)
Total comprehensive loss		(4,809)	(12,620)
Net loss from continuing operations attributable to:			
Equity holders of the parent		(1,214)	(8,482)
Non-controlling interests		(1,634)	(1,814)
Total comprehensive loss attributable to:			
Equity holders of the parent		(2,790)	(10,342)
Non-controlling interests		(2,019)	(2,278)
Basic loss per share from continuing operations	10	($0.004)	($0.038)
Diluted loss per share from continuing operations	10	($0.004)	($0.038)

Notes:
18*Net gain/loss on other financial derivatives arise as a result of the revaluation at each period end of share purchase warrants previously issued by the Company. In accordance with IFRS share purchase warrants issued or denominated in a currency other than the Company's functional currency of US dollars are classified as a derivative financial instrument and accounted for as a liability and subject to revaluation at each period end with the gain or loss on revaluation recognised in the Statement of Comprehensive Income. The associated liability has no cash cost or tax effect on the Company.

Avnel Gold Mining Limited
Consolidated statement of financial position
As at December 31, 2015 and December 31, 2014
Expressed in thousands of US Dollars

	Notes	December 31, 2015 $'000	December 31, 2014 $'000
NON-CURRENT ASSETS			
Exploration and evaluation assets	11	7,807	1,968
Property, plant and equipment	15	9,100	11,710
Total non-current assets		16,907	13,678
CURRENT ASSETS			
Inventories	12	2,891	3,518
Other receivables	13	949	1,025
Cash and cash equivalents	14	7,211	7,709
Total current assets		11,051	12,252
TOTAL ASSETS		27,958	25,930
CURRENT LIABILITIES			
Trade and other payables	16	2,248	2,435
Other derivative financial liability	18*	99	-
Total current liabilities		2,347	2,435
NON-CURRENT LIABILITIES			
Other derivative financial liability	18*	4,713	5,457
Provisions	17	3,349	3,136
Total non-current liabilities		8,062	8,593
Net Assets		17,549	14,902
EQUITY			
Common equity:			
Issued capital	19	63,981	56,809
Warrant/option reserve	20	3,120	2,836
Foreign exchange reserve		(2,033)	(457)
Retained deficit		(32,330)	(31,116)
Total shareholders' equity		32,738	28,072
Non-controlling interest		(15,189)	(13,170)
Total Equity		17,549	14,902

The financial statements were approved and authorised for issue by the Board of Directors on March 30, 2016 and signed on their behalf by:

(signed) *"Howard B Miller"*	(signed) *"John Kearney"*	
Howard B Miller	John Kearney	
Chairman	Lead Director	March 30, 2016

Notes:
18* Share purchase warrants identified as a derivative financial instrument are accounted for as a liability. 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 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 years ended December 31, 2015 and 2014
Expressed in thousands of US Dollars

	Issued capital		Warrant/option	Retained	Foreign exchange		Non - controlling	Total
	Shares	Amount	Reserve	Deficit	reserve	Total	Interest	Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Note	19	19	20					
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	-	-	-	(8,482)	-	(8,482)	(1,814)	(10,296)
Other comprehensive expenditure	-	-	-	-	(1,859)	(1,859)	(465)	(2,324)
Total Comprehensive loss	-	-	-	(8,482)	(1,859)	(10,341)	(2,279)	(12,620)
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	-	-	-	(1,214)	-	(1,214)	(1,634)	(2,848)
Other comprehensive expenditure	-	-	-	-	(1,576)	(1,576)	(385)	(1,961)
Total Comprehensive loss	-	-	-	(1,214)	(1,576)	(2,790)	(2,019)	(4,809)
Stock based compensation	-	-	46	-	-	46	-	46
Issuance of common stock for cash	42,900,000	8,374	-	-	-	8,374	-	8,374
Issue costs	-	(1,202)	238	-	-	(964)	-	(964)
At December 31, 2015	**304,330,124**	**63,981**	**3,120**	**(32,330)**	**(2,033)**	**32,738**	**(15,189)**	**17,549**

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

Avnel Gold Mining Limited
Consolidated Statement of Cash Flows
For the Years Ended December 31, 2015 and 2014
Expressed in thousands of US Dollars

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities:			
Net loss for the period		(2,848)	(10,296)
Adjusted for:			
Finance expense on unwinding of provisions	9	175	132
Depletion and Depreciation	15	1,696	2,050
Stock based compensation	8	46	180
Withholding tax provision	17	38	0
Finance income		(7)	(6)
Tax credit	25	-	(5)
Net (gain)/loss on other financial derivatives	18	(2,166)	2,901
		(3,066)	(5,044)
Net changes in working capital items:			
Inventories	12	627	299
Other receivables	13	76	553
Trade and other payables	16	(187)	(131)
Net foreign exchange difference		(388)	(430)
Net cash used in operating activities		**(2,938)**	**(4,753)**
Cash flows from investing activities:			
Exploration and evaluation asset expenditure	11	(6,041)	(1,968)
Purchases of Property, plant and equipment	15	(250)	(47)
Net cash used in investing activities		**(6,291)**	**(2,015)**
Cash flows from financing activities:			
Issue of share capital		9,895	9,694
Issue costs		(964)	(750)
Finance income		7	6
Net cash provided by financing activities		**8,938**	**8,950**
Net (decrease)/ increase in cash and cash equivalents		**(291)**	**2,182**
Foreign exchange difference		(207)	(272)
Total (decrease)/ increase in cash and cash equivalents		**(498)**	**1,910**
Cash and cash equivalents at beginning of period		7,709	5,799
Cash and cash equivalents at end of period		**7,211**	**7,709**

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

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 Cayman was incorporated in the Cayman Islands on September 28, 2001. On February 14, 2003 it entered into a Foundation Agreement with the Government of the Republic of Mali for the development of the existing gold mining property at Kalana. Under the terms of the Foundation Agreement, a subsidiary company, SOMIKA, was established in Mali to develop the mining property. Eighty per cent of the voting equity is held by Avnel Cayman and 20 per cent is held beneficially by the Government of Mali.

Gold production commenced in January 2004 and the principal markets are European based bullion trading concerns.

Kalana Permit

Avnel's principal assets are an 80% indirect interest in Société d'Exploitation des Mines d'Or De Kalana, S.A. ("SOMIKA"). 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 covering an area of 387.4 square kilometres located in South West Mali (the "Kalana Permit").

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. 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 Kalana 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. Mining operations were resumed by SOMIKA in January 2004 with commercial production commencing in March 2004.

Avnel's strategic objective, through SOMIKA, is to advance the development of the Kalana Main project by completing feasibility studies to demonstrate the presence of a commercially viable bulk tonnage mining project, whilst exploring for commercially viable opportunities over the remainder of the Kalana exploitation permit.

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 Group will realise its assets and discharge its liabilities in the normal course of business. At December 31, 2015 the Group had net current assets of $8,704,000 including a cash balance of $7,211,000. As discussed below, the Company needs to raise further funds in the second half of 2016 in order to satisfy short-term working capital needs and will also focus on securing the longer term project financing required to develop the Kalana Main project.

On March 30, 2016 the Company announced the results of the Definitive Feasibility Study ("DFS") for the Kalana Main project together with an updated Mineral Resource Estimate ("MRE") prepared by Snowden and Denny Jones. The economic results of the DFS show post tax NPV of $196.0m discounted at 8% at a gold price of $1,200 per ounce. The MRE, based on a 0.9g/t cut-off grade and utilising a $1,400/oz gold price, shows in–situ measured and indicated resources of 23.0m tonnes at a grade of 4.14g/t resulting in contained gold of 3.06m ounces and inferred resources of 1.70m tonnes at a grade of 4.51g/t resulting in 0.24m ounces of contained gold.

In parallel with the DFS, the Company has prepared a new Environmental and Social Impact Assessment ("ESIA") and expects to receive approval of the ESIA and a new Environmental and Mining Permit in the second quarter of 2016. Upon filing the NI 43-101 technical report, the Company intends to pursue international financing for the construction of an open pit mine at Kalana Main and is actively engaged in early discussions with a number of parties in this regard. As a result of these activities, the Kalana Main project is expected to be sufficiently advanced for the Company to consider a construction decision during 2016, subject to approval of the ESIA from the Malian authorities and the availability of project financing.

Supported by the results of the DFS, the directors consider that in the Kalana Main project the Company has a valuable asset. The directors recognise the continuing operations of the Company are dependent upon its ability to raise adequate financing and that funding will be required both in the short term for working capital purposes and in the longer term to build the proposed open pit mine at Kalana. The directors recognise that the need for further funds to be raised within twelve months of the date of approval of these financial statements represents a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The directors believe that the required financing will be raised and in conjunction with management are actively pursuing various financing options with the major shareholders and are engaged in ongoing discussions with banks, financial institutions and other mining companies regarding proposals for financing. While these discussions are ongoing, it cannot be guaranteed that such financing will be secured, or be available on a timely basis or on acceptable terms. The directors have reasonable expectations that these financing discussions will be successful and therefore the consolidated financial statements have been presented on the basis that the Company is 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. Subsequent to initial recognition, other receivables are carried forward at amortised cost.

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.

Withholding tax provision
Withholding tax arises only when SOMIKA repays its interest costs to Avnel Gold Mining Limited. The withholding tax provision is updated for changes in cost estimates and the timing of the payment and discounted to its net present value.

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.

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.

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.

On expiration or exercise of the warrants/options the fair value of the warrants/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 IFRS as issued by the 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 year ended December 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% (2014: 3%) and changes in discount rates 3% (2014: 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

The following standards, amendments and interpretations to existing standards, issued by the International Accounting Standards Board (IASB) are effective for the first time in the current year but have no material impact on these financial statements:

- Improvements to IFRS 2010-2012 cycle, where the key amendments are IFRS 2 Share-based Payment which clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions; IFRS 3 Business Combinations which is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39; IFRS 8 Operating Segments which are applied retrospectively and clarify that an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8; IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data; and IAS 24 Related Party Disclosures clarifies that a management entity (that provides management personnel services is a related party subject to the related party disclosures and is required to be retrospectively applied.

- Annual Improvements to IFRS 2011-2013 cycle, the key relevant amendments are IFRS 3 Business Combinations which is applied prospectively and clarifies the scope exceptions within IFRS 3 that related to joint arrangements; IFRS 13 Fair Value Measurement which is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39.

Standards and interpretations issued but not effective

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

- IFRS 9 Financial Instruments brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group plans to adopt the new standard on the required effective date. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9.

Tabular amounts expressed in thousands of US Dollars

- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group; however they will be applied to any future transactions.

- IFRS 15 Revenue from Contracts with Customers introduces a five-step model to account for revenue arising from contracts with customers. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group expects that there will not be a significant impact on its financial statements.

- IFRS 16 The new standard requires lessees to recognise assets and liabilities for most leases, many of which may have been off balance sheet in the past. The standard has an effective date of January 1, 2019 and the Group will assess the impact prior to the effective date.

- Amendments to IAS 27: Equity Method in Separate Financial Statements allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

6. Revenue

	2015 $'000	2014 $'000
Metal revenue	11,360	12,024
	11,360	12,024

Tabular amounts expressed in thousands of US Dollars

7. Cost of operations

Production costs

	2015 $'000	2014 $'000
Mining	4,792	6,280
Milling	1,695	1,805
Technical services	451	500
Operating overheads	2,944	3,685
Stock movement	(190)	(177)
Royalties and other selling costs	503	532
Other	599	331
	10,794	12,956

8. Administration expenses

	2015 $'000	2014 $'000
Salaries	1,751	1,688
Stock based compensation	46	180
Consultancy	82	66
Audit	253	261
Legal	145	219
Investor relations	270	294
Travel	238	328
Director fees & insurance	155	138
Office expenses	199	229
Other	159	289
	3,298	3,692

9. Other finance expense

	2015 $'000	2014 $'000
Accretion of discount on provisions (note 17)	175	132
	175	132

10. 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

Tabular amounts expressed in thousands of US Dollars

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

Basic and diluted loss per share

	2015 $'000	2014 $'000
Net loss attributable to ordinary equity holders of the parent	(1,214)	(8,482)
Basic weighted average number of ordinary shares for basic earnings per share	289,403,275	223,119,693
Basic loss per share attributable to ordinary equity holders of the parent	**($0.004)**	**($0.038)**
Effect of dilutive potential ordinary shares granted of warrants and options granted	-	-
Diluted weighted average number of ordinary shares for basic earnings per share	289,403,275	223,119,693
Diluted loss per share attributable to ordinary equity holders of the parent	**($0.004)**	**($0.038)**

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 each year.

11. Exploration and evaluation assets

	2015 $'000	2014 $'000
At January 1	1,968	-
Additions	6,041	1,968
Exchange adjustments	(202)	-
At December 31	7,807	1,968

The additions during 2015 relate to the costs of the Definitive Feasibility Study. In 2015, exploration costs of $260,000, carried on outside of the Kalana Main Project area, were expensed.

Tabular amounts expressed in thousands of US Dollars

12. Inventories

	2015 $'000	2014 $'000
Metal inventory	764	954
Materials and supplies	2,127	2,564
	2,891	3,518

Metal inventory consists of 728 oz (2014: 786 oz) of gold held at Kalana mine site. The gold is valued at net realisable value of $1,050/oz (2014: $1,213 per oz).

13. Other receivables

	2015 $'000	2014 $'000
Refundable VAT in Mali	807	887
Prepayments and other	142	138
	949	1,025

14. Cash and cash equivalents

	2015 $'000	2014 $'000
Cash at bank and in hand	2,851	2,419
Short term bank deposits	4,360	5,290
	7,211	7,709

The short term bank deposits are held with Barclays Bank Plc treasury and have a maturity period less than a month.

Tabular amounts expressed in thousands of US Dollars

15. Property, Plant and Equipment

	Mine acquisition costs $'000	Mine development $'000	Mine equipment $'000	UK office equipment $'000	Total $'000
Cost					
Balance at January 1, 2014	3,862	21,725	11,272	126	36,985
Additions	-	-	42	5	47
Exchange adjustments	(451)	(2,536)	(1,316)	(7)	(4,310)
Balance at December 31, 2014	3,411	19,189	9,998	124	32,722
Additions	-	201	35	14	250
Disposals	-	-	(52)	(36)	(88)
Exchange adjustments	(348)	(1,956)	(1,018)	(6)	(3,328)
Balance at December 31, 2015	3,063	17,434	8,963	96	29,556
Accumulated Depreciation					
Balance at January 1, 2014	2,042	11,263	8,275	76	21,656
Charged during the year	119	682	1,217	32	2,050
Exchange adjustments	(248)	(1,372)	(1,068)	(6)	(2,694)
Balance at December 31, 2014	1,913	10,573	8,424	102	21,012
Charged during the year	96	568	1,016	16	1,696
Disposals	-	-	(52)	(36)	(88)
Exchange adjustments	(197)	(1,089)	(873)	(5)	(2,164)
Balance at December 31, 2015	1,812	10,052	8,515	77	20,456
Net Book Value					
December 31, 2015	1,251	7,382	448	19	9,100
December 31, 2014	1,498	8,616	1,574	22	11,710
January 1, 2014	1,820	10,462	2,997	50	15,329

Tabular amounts expressed in thousands of US Dollars

16. Trade and other payables

	2015	2014
	$'000	$'000
Trade payables	1,311	1,086
Accrued expenses	937	1,349
	2,248	2,435

The carrying amount of trade and other payables approximates their fair value.

17. Provisions

	Withholding Tax Provision	Decommissioning Provision	Total
	$'000	$'000	$'000
At January 1, 2014	1,079	1,925	3,004
Accretion of discount	74	58	132
Closing balance December 31, 2014	1,153	1,983	3,136
Arising in the year	38	-	38
Accretion of discount	115	60	175
At December 31, 2015	1,306	2,043	3,349

Decommissioning provision

The Company commissioned an environmental report by an independent party. This estimated un-discounted cost 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 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 commencement of the Kalana Main Project.

Withholding tax provision

The long term tax provision relates to withholding tax that will arise in Mali when SOMIKA's loan interest is actually paid to Avnel Gold Mining Limited. The provision is based on the Group's estimate as at December 31, 2015. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. This estimate is reviewed regularly to take into account any material changes to the assumptions. Management has made a risked assessment of the discounted amount payable estimated to be $1.3m, which has been discounted at 10%.

Tabular amounts expressed in thousands of US Dollars

18. Other derivative financial liabilities

	2015 $'000	2014 $'000
Net gain/(loss) on other financial derivatives	2,166	(2,901)
	2,166	(2,901)

	Financial Liability $'000
Balance at January 1, 2014	-
Fair value of warrants issued in 2014	2,556
Net loss on financial derivative (warrants) at fair value	2,901
Balance at December 31, 2014	5,457
Fair value of warrants issued in 2015	1,521
Net gain on financial derivative (warrants) at fair value	(2,166)
Balance at December 31, 2015	4,812

The net gain/ (loss) arising on derivative financial liabilities relates to the fair value, in accordance with IFRS, of share purchase warrants issued. 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. Due mainly to the Company's share price movement the fair value of the warrants increased to $5,304,000 at December 31, 2014, and then reduced to $3,896,000 at December 31, 2015 with the resultant profit of $1,408,000 passing through the Statement of Comprehensive Income in 2015.

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. Due mainly to the Company's share price movement the fair value of the warrants increased to $153,000 at December 31, 2014 and reduced to $99,000 at December 31, 2015 with the resultant profit $54,000 passing through the Statement of Comprehensive Income in 2015.

Tabular amounts expressed in thousands of US Dollars

The share purchase warrants issued as part of the 2015 financing were initially valued at $1,521,000, assuming a volatility of 84.67% and a risk free rate of 0.25% and an expected 2 year life. The fair value of the warrants decreased to $817,000 since their issuance in May 2015 with the resultant profit $704,000 passing through the Statement of Comprehensive Income in 2015.

Warrants issued	Expiry date	No. warrants	Fair value at inception	Fair value at 31 Dec 2014	Fair value at 31 Dec 2015	Gain/(loss) In 2015
			US$'000	US$'000	US$'000	US$'000
20c July 17, 2014	January 17, 2017	67,586,400	2,465	5,304	3,896	1,408
25c September 18, 2014	September 18, 2016	2,000,000	92	153	99	54
40c May 7, 2015	May 7, 2017	21,450,000	1,521	-	817	704
		91,036,400	**4,078**	**5,457**	**4,812**	**2,166**

Fair value hierarchy

The following table sets out the financial assets and liabilities measured at fair value at December 31, 2015 and at December 31, 2014 by level within the fair value hierarchy:

$'000 31 December 2015	Total	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	7,211	7,211	-	-
Liabilities				
Derivative financial liabilities	(4,812)	-	(4,812)	-

$'000 31 December 2014	Total	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	7,709	7,709	-	-
Liabilities				
Derivative financial liabilities	(5,457)	-	(5,457)	-

The cash and cash equivalents are classified as level 1 of the fair value hierarchy because they are valued using current market prices.

The derivative financial liabilities are classified as level 2 of the fair view hierarchy because the share purchase warrants contracts are valued using techniques that are based upon quoted prices in an active market.

Tabular amounts expressed in thousands of US Dollars

The Group does not acquire, hold or issue financial instruments for trading purposes. The estimated fair values of the Group's financial instruments approximate carrying values at December 31, 2015 and 2014, there were no transfers between level 1 and level 2 fair value measurements in either year.

19. Share Capital

	No.	$'000
At 1 January 2014	191,743,724	50,550
Issued during the year	69,686,400	6,259
At 31 December 2014	261,430,124	56,809
Issued during the year	42,900,000	7,172
At 31 December 2015	304,330,124	63,981

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 above and in the Consolidated Statement of Changes in Equity.

In May 2015 the Company closed a 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 $9,895,000. Each Unit consisted of one common share in the capital of the Company and one half of one share purchase warrant. Each whole warrant is exercisable into one common share at an exercise price of C$0.40 per share for a period of 24 months.

20. Warrant/option reserve

	2015 $'000	2014 $'000
At 1 January	2,836	2,527
Broker warrants granted during the year	238	142
LTIP Compensation options charged to profit and loss during the year	46	167
At 31 December	3,120	2,836

The warrant/option reserve includes warrants issued to brokers as part of financings 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 described below. The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model.
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

Tabular amounts expressed in thousands of US Dollars

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.

In connection with the May 2015 financing the Company issued 2,378,000 broker warrants. Each warrant entitles the holder to purchase one ordinary share of Avnel at a price of C$0.27 at any time for a period of 24 months expiring May 7, 2017.

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 amounted to $46,000 (2014: $167,000).

21. Commitments and operating leases

Future Commitments under operating leases are as follows:

	2015 $'000	2014 $'000
For operating leases expiring:		
Within one year	72	152
Within two to five years	24	76
	96	228

The Company has entered into an operating lease for office space with a company related to Fern. Pursuant to these leases which expire in June 2016, future minimum payments will amount to £49,000 (2014: £147,000) up until the end of the lease, which at the 2015 year end exchange rate, is equivalent to $72,000 (2014: $228,000) per annum.
The Company has entered into an operating lease for an office building in Bamako, Mali. The lease expires in June 2017, future minimum payments will amount to $24,000.

22. Financial risk management

The Group is exposed to credit, liquidity, interest rate, exchange, and commodity price risk. The Group's senior management oversees the management of these risks and is supported by the Group's policies and procedures which are approved by the Board. It is the Group's policy that no trading in derivatives for speculation is undertaken.

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

Tabular amounts expressed in thousands of US Dollars

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.

Credit Risk

The credit risk in relation to financial instruments is the risk that a third party might fail to fulfil its performance obligations under the terms of a financial instrument. The Company holds the majority of its cash and cash equivalents at large, reputable financial institutions. A table showing the concentration of credit risk as at December 31, 2015 is shown in the following table.

	United Kingdom 2015 $'000	United Kingdom 2014 $'000
Cash and cash equivalents	7,211	7,709
Number of counterparties	1	1

Liquidity Risk

The Group constantly monitors the cash outflows from day to day business and monitors longer term liabilities to ensure that liquidity is maintained.
At the balance sheet date the Group's short term financial liabilities, all of which are due within three months, are as follows:

	2015 $'000	2014 $'000
Trade creditors	1,311	1,086
Accrued expenses	937	1,349
	2,248	2,435

The other derivative financial liability recorded on December 31, 2015 of $4,812,000 (2014: $5,457,00) relates to warrants issued by the Company which will be settled in shares and therefore is not included in the liquidity table above as there will be no cash outflow.

Tabular amounts expressed in thousands of US Dollars

Interest Rate Risk

	Weighted Average Interest rate	At 31 December 2015	Weighted Average Interest rate	At 31 December 2014
	%	$'000	%	$'000
Cash and cash equivalents	0.09	7,211	0.09	7,709
Net cash	0.09	7,211	0.09	7,709

Foreign Exchange Risk

The Group's cash balances at December 31, 2015 and 2014 consisted of the following currency holdings:

	2015	2014
	$'000	$'000
US dollars	6,523	6,048
Canadian Dollars	552	1,533
Sterling	39	65
CFA	92	58
South African Rand	5	5
	7,211	7,709

The Group may be exposed to transaction foreign exchange risk due to its transactions not being matched in the same currency. The Group has no currency hedging in place.

Local currency costs in Mali, West Africa accounted for approximately 88% of the operating costs in 2015. The CFA is fixed to the Euro and the CFA exchange rate against the US dollar has fluctuated 15% during 2015 from a low of CFA 542 to a high of CFA 624 averaging at CFA 591 to the US dollar. If the CFA strengthened by 10% during the year, the net loss of the Company would increase by approximately $0.95 million. It should be noted that the adverse impact on costs of a weakening US dollar is likely to be mitigated by an increase in the gold price as gold sales are denominated in US dollars.

Commodity Price Risk

The Group faces risk in respect of its exposure to gold prices. Gold prices are subject to significant fluctuation and are affected by a number of factors which are beyond Avnel's control. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world. The price of gold and base metals has fluctuated widely over the past 10 years.

In 2015, all of the Group's gold production was sold at spot prices. If the gold spot price had reduced by 10% the Group's loss would have increased by $1.1 million.

Tabular amounts expressed in thousands of US Dollars

Capital Management Policy

The Group's policy when managing its capital is to safeguard its accumulated capital (cash and cash equivalents) in order to fund the ongoing operations and the future development of the Kalana Permit. To safeguard capital and mitigate risk the Group invests its surplus capital in highly liquid, highly rated institutions. The Group reviews its cash flow forecasts very closely to make sure its capital policy is achieved. The Group's cash position is shown above.

23. Related Party Transactions

As described in note 21, the Company has entered into an operating lease for office space with Fern. Rent expense amounted to $150,000 (2014: $159,000) and the amount of the lease outstanding, but not due, at December 31, 2015 was $72,000 (2014: $228,000). The rental payments are denominated in Sterling so the U.S. Dollar amount payable is subject to fluctuation with the movement in exchange rates between Sterling and the U.S. Dollar.

SOMIKA purchased $357,000 of explosives during 2015 (2014: $609,000) from African Explosives Limited ("AEL"). Mr. Ibrahim Kantao, a director of Avnel and SOMIKA, is also the Director-General of AEL Mali.

The Company has a contract with DMT Geosciences as consultants for the Kalana Main Project DFS. Consulting costs of $8,400 were charged in 2015 (2014: $14,000). Mr. McCandlish, who became a member of the Avnel Board on March 30, 2015, is the Managing director of DMT Geosciences.

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.

	2015 $'000	2014 $'000
Wages and salaries	1,267	1,342
Directors' fees	101	89
	1,368	1,431

Tabular amounts expressed in thousands of US Dollars

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

Share options held by key management personnel including executive and non-executive directors under the Company's Long Term Incentive Plan to purchase ordinary shares have the following expiry dates and exercise prices:

Issue Date	Expiry date	Exercise price	Number outstanding 2015	Number outstanding 2014
31/08/2005	19/08/2015	C$0.76	-	899,000
13/08/2008	06/08/2018	C$0.45	1,500,000	1,500,000
09/11/2010	09/11/2015	C$0.28	-	125,000
01/01/2011	31/12/2016	C$0.35	500,000	500,000
15/11/2011	15/11/2021	C$0.60	1,500,000	1,500,000
25/03/2013	25/03/2023	C$0.35	50,000	50,000
05/09/2014	05/09/2019*	C$0.20	-	500,000
05/09/2014	05/09/2019	C$0.25	300,000	300,000
05/09/2014	05/09/2019	C$0.20	660,000	660,000
Total			4,510,000	6,034,000

*500,000 options, which have now lapsed, were issued to J Link with the condition that the options would lapse on March 31, 2015 unless the Company's VWAP (volume weighted average price share price) was at C$0.30 or over for 20 days before March 31, 2015.

In addition share options held by Mr. Roy Meade under the Company's CEO Compensation Option Continuation scheme to purchase ordinary shares have the following expiry dates and exercise prices:

Issue Date	Expiry date	Exercise price	Number outstanding 2015	Number outstanding 2014
23/02/2005	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 year and balances at December 31, 2015 and 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 in year	Balance Dec 31, 2015		Charged in year	Balance Dec 31, 2014
SOMIKA	6,691	83,030		5,868	70,538
Total	**6,691**	**83,030**		**5,868**	**70,538**

24. Share Based Payment Plans

At December 31, 2015, the Company has two share based payments plans, they are as follows:

(i) The Stock Option Plan

On February 23, 2005, the board of directors of Avnel adopted the Company's Stock Option Plan (the "Plan") effective upon the completion of the IPO Offering of June 30, 2005. The Plan was adopted by the board of directors in order to have a stock option plan which complies with the rules and policies of the Toronto Stock Exchange in place upon completion of the IPO Offering. Under the terms of the Plan, options can be granted to directors, employees or consultants of the Company. Other than the vesting date which can be determined by the Board of the Company as it sees appropriate, the terms and conditions applicable to the consultants' options are the same as for directors and employees. Options granted under the Plan are subject to the following terms and conditions:

The Company's Stock Option plan was re-approved on May 29, 2008 and again on May 24, 2012.

(a) The maximum number of common shares which may be reserved for issuance under the Plan, together with any other compensation arrangement of the Company, to insiders shall not exceed 5% of the outstanding common shares, and to any one insider and such insider's associates in any 12 month period shall not exceed 5% of the outstanding common shares. Under the Plan the maximum number of common shares reserved for issuance to any one person shall be 5% of the outstanding common shares at the date of issuance.

(b) The exercise price of an option shall not be lower than the closing price of the common shares on the TSX on the day immediately proceeding the day of grant of such option.

(c) The Board of the Company shall determine the time during which any options may vest and the method of vesting or that no vesting restriction shall exist.

(d) Options shall have a maximum term of ten years from the date of the grant, subject to any limits of any law or other regulatory body having jurisdiction.

(e) Unless otherwise determined by the Board of the Company, an option will terminate 90 days after an optionee ceases to be an eligible participant (i.e. upon ceasing to be a director, officer or consultant of the Company).

(f) In the event of the death of an eligible participant, the option will be exercisable, unless by its terms it sooner terminates or expires, within 90 days following such death by the persons to whom the eligible participant's rights, under the Plan, pass by will or the laws of descent and distribution, and

(g) Options are non-transferable without the consent of the Company's Board.

Tabular amounts expressed in thousands of US Dollars

Generally, other than options that vest on the grant date, the period from grant date to vesting is between one and three years.

The table below summarises the options granted and outstanding at December 31, 2015.

	Shares	Weighted average exercise price
Stock Option Plan		
Outstanding at December 31, 2014	6,704,000	C$ 0.44
Expired	1,569,000	C$ 0.53
Outstanding at December 31, 2015	**5,135,000**	**C$ 0.41**

A summary of the fair values of the options outstanding is shown below:

Date of grant	Vesting period (years)	Date of vesting	Expected life (years)	Risk free rate %	Exercise price C$	Share price at grant C$	Volatility %	Fair value C$	Number outstanding
13/08/08	0.0	13/08/08	10	4.0	0.45	0.15	40	0.39	1,500,000
01/01/11	0.0	01/01/11	6	3.5	0.35	0.315	77	0.21	170,000
01/01/11	1.0	01/01/12	6	3.5	0.35	0.315	77	0.21	170,000
01/01/11	2.0	01/01/13	6	3.5	0.35	0.315	77	0.21	160,000
15/11/11	0.5	24/05/12	10	3.25	0.60	0.52	75	0.39	1,500,000
25/03/13	0.0	25/03/13	10	1.25	0.35	0.265	57	0.16	50,000
05/09/14	0.0	05/09/14	5	1.75	0.25	0.18	83	0.11	300,000
05/09/14	1.0	05/09/15	4	1.75	0.20	0.18	83	0.12	245,000
05/09/14	2.0	05/09/16	3	1.75	0.20	0.18	83	0.12	120,000
05/09/14	0.0	05/09/14	5	1.75	0.20	0.18	83	0.12	920,000
					0.41				**5,135,000**

(ii) The Meade Compensation Option/ Continuation, Amendment and Restatement Option

On February 23, 2005, Avnel granted to Roy Meade, then Chief Executive Officer of Avnel, an option (the "Meade Compensation Option") to acquire up to 2.5 million common shares of Avnel at an exercise price per share of the Canadian Dollar equivalent of US$0.275. One third of the option was exercisable on June 30, 2005, one-third on February 23, 2006 and the remaining one-third was exercisable on February 23, 2007. The maximum number of options that can be issued under the Meade Compensation Option is 2.5 million. As at December 31, 2007, none of these options had been exercised. Mr. Meade's entitlement to any unexercised portion of the Meade Compensation Option will terminate in the event he leaves employment of Avnel at his own volition prior to the latest exercise date. The Meade Compensation Options do not form part of Avnel's Stock Option Plan. Mr Meade was appointed Director Mining on January 1, 2009 and the changes to the terms of these options were approved by shareholders at the 2009 Annual General Meeting. On May 27, 2009, the Annual General Meeting of Shareholders approved the Continuation, Amendment and Restatement of the Meade Compensation option which extended the latest exercise date to February 23, 2013. The further extension of the option expiry date from February 23, 2013 to February 23, 2023, was approved by shareholders at the Company's Annual General Meeting held on May 23, 2013. Mr Meade was appointed President on March 30, 2015

Tabular amounts expressed in thousands of US Dollars

At the time of the Company's reorganisation referred to in Note 1, the Meade Compensation Option was granted to replace the existing arrangement between Mr Meade and Avnel Cayman in September 2003 under which no compensation was recorded as performance conditions were not met.

Meade Compensation Option

Date of grant	Vesting period (years)	Date of vesting	Expected life (years)	Risk free rate %	Exercise price C$	Share price at grant C$	Volatility %	Fair value C$	Number outstanding
23/02/05	0.3	30/06/05	18	4.0	0.327	1.00	40	0.381	833,333
23/02/05	1.0	23/02/06	17	4.0	0.327	1.00	40	0.381	833,333
23/02/05	2.0	23/02/07	16	4.0	0.327	1.00	40	0.381	833,334
				4.0	**0.327**	**1.00**	**40**	**0.381**	**2,500,000**

Summary of Options Granted

The fair value of the options for both the stock option plan and the Meade Compensation Option has been estimated using the Binomial option model with the following assumptions:

Risk-free interest rate	1.25% - 4.2%
Expected option term	3- 10 years
Expected volatility	40% - 83%
Expected dividend yield	Nil%

The maximum expected option term of ten years has been used as Avnel does not have any previous history of issuing options and has no reason to conclude that a shorter term is more appropriate. The interest rate assumptions used are available by reference to Canadian market data. Expected volatility is based on three year's company share price information prior to the grant date, using a weekly calculation interval.

For the year ended December 31, 2015 administration expense includes compensation expense of $46,000 (2014: $167,000) and the corresponding amount has been credited to Warrant/option reserve.

Tabular amounts expressed in thousands of US Dollars

(iii) Warrants issued to brokers

Warrants were issued to brokers as compensation for their services in the equity issuance described in Note 20. Each Broker Warrant gives the holder the option to purchase one Unit, described below.

These broker 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, see note 20.

In connection with the 2014 private placements the Company issued 2,032,776 broker warrants and 810,000 rights to the brokers. Each broker 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.
In connection with the May 2015 financing the Company issued 2,378,000 broker warrants. Each warrant entitles the holder to purchase one ordinary share of Avnel at a price of C$0.27 at any time for a period of 24 months expiring May 7, 2017.

A summary of the broker warrants and options or rights to purchase common shares of Avnel is shown in the following tables:

	As at December 31 2013	**Forfeited or expired**	**Granted**	**Exercised**	**As at December 31, 2014**
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	**5,019,000**	(400,000)	2,085,000	-	**6,704,000**
Meade Compensation Option	**2,500,000**	-	-	-	**2,500,000**

Tabular amounts expressed in thousands of US Dollars

Options or rights to purchase common shares	**7,519,000**	**(400,000)**	**4,927,776**	-	**12,046,776**

	As at December 31, 2014	**Forfeited or expired**	**Granted**	**Exercised**	**As at December 31, 2015**
Broker Warrants issued on Bought deal on May 7, 2015 @ C$0.27	**-**	-	2,378,000	-	**2,378,000**
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**	**-**	**2,378,000**	-	**14,424,776**

Tabular amounts expressed in thousands of US Dollars

25. Taxation

The Company's corporate income tax expense/ (credit) for the years ended December 31, 2015 and 2014 are as follows:

Current tax:	2015 $'000	2014 $'000
Corporation tax on profit for the period	-	-
	-	-
Deferred tax	-	(5)
Tax charge/ (credit) for the period	-	(5)

The Company's statutory income tax rate for the years ended December 31, 2015 and 2014 is nil.
Reconciliation between tax expense/ (credit) and Guernsey's income tax rate of 0%:

	2015 $'000	2014 $'000
Accounting loss before tax	(2,588)	(10,301)
Profit/(loss) for the period multiplied by effective tax rate 0%	-	-
Movement in deferred tax	-	(5)
	-	(5)

The components of deferred income taxes, net as of December 31, 2015 and 2014 are as follows:

Deferred taxes:	2015 $'000	2014 $'000
Property, plant and equipment	(1,110)	(920)
Tax losses and credits	(11,164)	(6,056)
	(12,274)	(6,976)
Unrecognised deferred tax assets	12,274	6,976
Net deferred tax asset	Nil	Nil

Unrecognised tax losses and credits amount to a total of $31.9m of which $17m relate to Malian tax losses for the period of 2013 and 2014 which will expire in 3 years, i.e. 2016 and 2017 respectively. The remaining tax losses and credits of $14.9m can be carried forward indefinitely.

No other material deferred tax assets and liabilities resulting from temporary differences in recognition of income and expenses for tax and financial reporting purposes existed at December 31, 2015 and 2014.

Tabular amounts expressed in thousands of US Dollars

The provision for income taxes for the years ended December 31, 2015 and 2014 result in effective tax rates of 0% and 0%, respectively.

26. Contingent Liability

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, disputing various tax items including tax allowances on interest, withholding tax on foreign suppliers and VAT exemption. Management believe strongly that the majority of the tax claims are incorrect and 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 continued in 2015. The tax audit of SOMIKA for the years ended 2012, 2013 and 2014 commenced in December 2015.

27. Partly owned subsidiaries

Financial information of SOMIKA SA, a subsidiary which has a non-controlling interest, is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operation	2015 $'000	2014 $'000
SOMIKA SA	Mali	20%	20%
Accumulated balances of material non-controlling interest		(15,189)	(13,170)
Net loss attributable to material non-controlling interest		(1,634)	(1,814)
Total comprehensive loss attributable to material non-controlling interest		(2,019)	(2,278)

Tabular amounts expressed in thousands of US Dollars

The summarised financial information of this subsidiary is provided below. This information is based on amounts before consolidation adjustments.

Summarised income statement for the year ended December 31:

	2015	2014
	$'000	$'000
Revenue	11,360	12,024
Cost of operations	(21,477)	(21,384)
Gross loss	**(10,117)**	**(9,360)**
Finance expense	(6,285)	(5,447)
Loss before tax	**(16,402)**	**(14,807)**
Income tax expense	-	-
Loss after tax	**(16,402)**	**(14,807)**

Summarised statement of financial position for the year ended 31 December:

	2015	2014
	$'000	$'000
Current assets	3,655	3,952
Non-current assets	47,406	46,620
Total assets	51,061	50,572
Current liabilities	116,320	103,424
Total liabilities	116,320	103,424
Total Equity	(65,259)	(52,852)

The non-controlling interest has a free carry and therefore no obligation to settle any costs arising in SOMIKA.

Summarised cash flow information for year ending 31 December:

	2015	2014
	$'000	$'000
Operating	(6,013)	(7,496)
Investing	(6,445)	(2,031)
Financing	12,492	9,934
Net cash inflow	**34**	**407**

The following subsidiaries are 100% owned:

	Country of incorporation and operation	2015	2014
Kalana Mine Services Limited	U.K	100%	100%
Avnel Gold, Limited	Cayman Islands	100%	100%
Avnel Mali SARL	Mali	100%	100%