AVNEL GOLD MINING LIMITED
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2016

The unaudited interim consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ('IAS 34'). There have been no changes to the Group's accounting policies during the period.

"Howard Miller"	"Alan McFarlane"
Howard Miller	Alan McFarlane
Chief Executive Officer	Chief Financial Officer

Avnel Gold Mining Limited

Unaudited consolidated statement of financial position

September 30, 2016 and December 31, 2015

Expressed in thousands of US Dollars

	Notes	Sept 30 2016 $'000	December 31 2015 $'000
NON-CURRENT ASSETS			
Exploration and evaluation assets	10	8,934	7,807
Property, plant and equipment	11	8,319	9,100
Total non-current assets		17,253	16,907
CURRENT ASSETS			
Inventories	7	2,946	2,891
Other receivables	8	1,098	949
Cash and cash equivalents	9	4,413	7,211
Total current assets		8,457	11,051
TOTAL ASSETS		25,710	27,958
CURRENT LIABILITIES			
Trade and other payables	12	1,596	2,248
Other derivative financial liability	13*	2,176	99
Total current liabilities		3,772	2,347
NON-CURRENT LIABILITIES			
Other derivative financial liability	13*	-	4,713
Provisions	14	3,495	3,349
Total non-current liabilities		3,495	8,062
Net Assets		18,443	17,549
Common equity:			
Issued equity	15	64,854	63,981
Warrant/option reserve	16	3,107	3,120
Foreign exchange reserve		(1,708)	(2,033)
Retained deficit		(31,455)	(32,330)
Total shareholders' equity		34,798	32,738
Non-controlling interest		(16,355)	(15,189)
Total Equity		18,443	17,549

Notes;

13* 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 upon exercise or expiry. Prior to exercise or expiry the revaluation of the warrants 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

Unaudited consolidated statement of total comprehensive income

For the three and nine months ended Sept 30, 2016 and 2015

Expressed in thousands of US Dollars

(except share and per share information)

	Note	3 months ended Sept 30 2016 $'000	3 months ended Sept 30 2015 $'000	9 months ended Sept 30 2016 $'000	9 months ended Sept 30 2015 $'000
Revenue		2,714	2,280	8,925	8,746
Cost of operations					
Production costs		2,196	2,788	7,725	8,315
Exploration costs		122	-	392	-
Depletion and depreciation	11	324	401	1,159	1,272
		2,642	3,189	9,276	9,587
Gross profit/(loss)		72	(909)	(351)	(841)
Administration expense		931	764	2,673	2,447
Operating loss		(859)	(1,673)	(3,024)	(3,288)
Other income/(expense)					
Net profit on other financial derivatives		3,809	2,576	2,428	1,897
Other finance expense		(49)	(15)	(146)	(45)
Interest income		2	2	8	5
Foreign exchange (loss)/gain		(15)	(65)	14	(150)
		3,747	2,498	2,304	1,707
Profit/(loss) before tax from continuing operations		2,888	825	(720)	(1,581)
Taxation		-	-	-	-
Net profit/(loss)		2,888	825	(720)	(1,581)
Other comprehensive income: **Exchange differences**		156	374	412	(1,238)
Total comprehensive profit/(loss)		3,044	1,199	(308)	(2,819)
Net profit/(loss) from continuing operations attributable to:					
Equity holders of the parent		3,278	1,352	533	(422)
Non-controlling interests		(390)	(527)	(1,253)	(1,159)
Total comprehensive profit/(loss) attributable to:					
Equity holders of the parent		3,402	1,685	858	(1,379)
Non-controlling interests		(358)	(486)	(1,166)	(1,440)
Basic profit/(loss) per share	6	0.011	0.004	0.002	(0.001)
Diluted profit/(loss) per share	6	0.009	0.004	0.001	(0.001)

Avnel Gold Mining Limited

Unaudited Consolidated Statement of Changes in Equity
For the nine months ended Sept 30, 2016 and 2015 and
the year ended December 31, 2015

	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
At December 31, 2014	**261,430,124**	**56,809**	**2,836**	**(31,116)**	**(457)**	**28,072**	**(13,170)**	**14,902**
Loss for the period	-	-	-	(422)	-	(422)	(1,159)	(1,581)
Other comprehensive expenditure	-	-	-	-	(957)	(957)	(281)	(1,238)
Total Comprehensive loss	-	-	-	(422)	(957)	(1,379)	(1,440)	(2,819)
Issuance of common stock for cash	42,900,000	8,374	-	-	-	8,374	-	8,374
Issue costs	-	(1,214)	250	-	-	(964)	-	(964)
Stock based compensation	-	-	46	-	-	46	-	46
At Sept 30, 2015	**304,330,124**	**63,969**	**3,132**	**(31,538)**	**(1,414)**	**34,149**	**(14,610)**	**19,539**
Loss for the period	-	-	-	(792)	-	(792)	(475)	(1,267)
Other comprehensive expenditure	-	-	-	-	(619)	(619)	(104)	(723)
Total Comprehensive loss	-	-	-	(792)	(619)	(1,411)	(579)	(1,990)
Issue costs	-	12	(12)	-	-	-	-	-
At December 31, 2015	**304,330,124**	**63,981**	**3,120**	**(32,330)**	**(2,033)**	**32,738**	**(15,189)**	**17,549**
Profit/(loss) for the period	-	-	-	533	-	533	(1,253)	(720)
Other comprehensive income	-	-	-	-	325	325	87	412
Total Comprehensive profit/(loss)	-	-	-	533	325	858	(1,166)	(308)
Warrant exercise	5,299,476	813	(103)	312	-	1,022	-	1,022
LTIP option exercise	300,000	60	(30)	30	-	60	-	60
Stock based compensation	-	-	120	-	-	120	-	120
At Sept 30, 2016	**309,929,600**	**64,854**	**3,107**	**(31,455)**	**(1,708)**	**34,798**	**(16,355)**	**18,443**

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

Avnel Gold Mining Limited
Unaudited Consolidated Statement of Cash Flows
For the nine months ended Sept 30, 2016 and 2015

Expressed in thousands of US Dollars

	Notes	Sept 30 2016 $'000	Sept 30 2015 $'000
Cash flows from operating activities:			
Net loss for the period		(720)	(1,581)
Adjusted for:			
Finance expense on unwinding of discount on provisions	14	146	99
Depletion and Depreciation	11	1,159	1,272
Stock based compensation	16	120	46
Net profit on other financial derivatives	13	(2,428)	(1,897)
		(1,723)	**(2,061)**
Net changes in working capital items:			
Inventories	7	(55)	458
Other receivables	8	(149)	(4)
Trade and other payables	12	(661)	(124)
Net foreign exchange difference		(33)	(49)
Net cash used in operating activities		**(2,621)**	**(1,780)**
Cash flows used in investing activities:			
Exploration and evaluation asset expenditure	10	(916)	(5,497)
Purchases of Property, plant and equipment	11	(140)	(33)
Net cash used in investing activities		**(1,056)**	**(5,530)**
Cash flows from financing activities:			
Issue of share capital		-	9,895
Issue costs		-	(964)
Exercise of warrants/options		873	-
Finance costs		(8)	(5)
Net cash provided by financing activities		**865**	**8,926**
Net (decrease) increase in cash and cash equivalents		**(2,812)**	**1,616**
Foreign exchange difference		14	(150)
Total (decrease)/increase in cash and cash equivalents		**(2,798)**	**1,466**
Cash and cash equivalents at beginning of period		7,211	7,709
Cash and cash equivalents at end of period		**4,413**	**9,175**

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.

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.

On April 28, 2016 the Company received approval from the Ministry of Environment for a new Environmental and Social Impact Assessment ("ESIA").

Avnel's strategic objective, through SOMIKA, is to advance the development of the Kalana Main project, whilst exploring for commercially viable opportunities over the remainder of the Kalana exploitation permit.

Liquidity and Going Concern

These unaudited interim 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 September 30, 2016 the Group had net current assets, excluding the liability for outstanding share warrants, of $6,861,000 including a cash balance of $4,413,000. As discussed below, the Company needs to raise further funds in the near term 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 DFS for the Kalana Main project together with an updated 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.

On April 28, 2016 the Company received approval from the Ministry of Environment for a new Environmental and Social Impact Assessment ("ESIA"). The Company is pursuing 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 2017, subject to 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 unaudited interim consolidated financial statements have been presented on the basis that the Company is a going concern. The unaudited interim 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 unaudited interim consolidated financial statements.

2. Basis of Preparation/Consolidation

The unaudited interim consolidated financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting.

The unaudited interim 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 unaudited interim consolidated financial statements of the Group 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.

The comparatives for the year ended December 31, 2015 are taken directly from the audited accounts for that year end. The audit report on those accounts included an emphasis of matter relating to the going concern basis of preparation.

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.

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 6).

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 IAS 34 Interim Financial Reporting 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 nine months ended September 30, 2016 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% (2015: 3%) and changes in discount rates 3% (2015: 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:

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation: the amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. These amendments do not have any impact to the Group.
- 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. These amendments do not have any impact on the Group.

Standards and interpretations issued but not effective

The following new standards and amendments to standards and interpretations were not yet effective for the period ended September 30, 2016 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.

- 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 Leases 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.

6. 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 profit/(loss) per share

	3 Months Sept 2016	3 Months Sept 2015	9 Months Sept 2016	9 Months Sept 2015
	$,000	$,000	$,000	$,000
Net profit/(loss) attributable to ordinary equity holders of the parent	3,278	1,352	533	(422)
Weighted average number of ordinary shares for basic earnings per share	307,994,100	304,330,124	305,596,044	284,372,981
Basic profit/(loss) per share attributable to ordinary equity holders of the parent	0.011	0.004	0.002	(0.001)
Effect of dilutive potential ordinary shares granted of warrants and options granted	70,792,700	43,817,485	70,792,700	-
Diluted weighted average number of ordinary shares for basic earnings per share	378,786,800	348,147,609	376,388,744	284,372,811
Diluted profit/(loss) per share attributable to ordinary equity holders of the parent company	0.009	0.004	0.001	(0.001)

Share options and warrants were not included in the calculations for the nine months to September, 2015 as they were anti-dilutive.

7. Inventories

	Sept 30 2016 $'000	Dec 31 2015 $'000
Metal inventory	999	764
Materials and supplies	1,947	2,127
	2,946	2,891

8. Other Receivables

	Sept 30 2016 $'000	Dec 31 2015 $'000
Refundable VAT in Mali	785	807
Prepayments and other	313	142
	1,098	949

9. Cash and Cash Equivalents

	Sept 30 2016 $'000	Dec 31 2015 $'000
Cash at bank and in hand	1,424	2,851
Short term bank deposits	2,989	4,360
	4,413	7,211

The short term bank deposits are held with Barclays Bank Plc. treasury and have a maturity period not more than three months.

10. Exploration and Evaluation Assets

	Sept 30 2016 $'000	Dec 31 2015 $'000
At December 31, 2015 and December 31, 2014	7,807	1,968
Additions	916	6,041
Exchange adjustments	211	(202)
At September 30, 2016 and December 31, 2015	8,934	7,807

The additions for the nine months to September 30, 2016 and year to December 31, 2015 relate to the Kalana Main Project, whose costs have been capitalised in line with the Company's Accounting Policy.

11. 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, 2015	3,063	17,434	8,963	96	29,556
Additions	-	-	127	13	140
Exchange adjustments	83	471	242	(12)	784
Balance Sept 30, 2016	**3,146**	**17,905**	**9,332**	**97**	**30,480**
Accumulated Depreciation					
Balance December 31, 2015	1,812	10,052	8,515	77	20,456
Expense for year	70	505	575	9	1,159
Exchange adjustments	49	274	233	(10)	546
Balance Sept 30, 2016	**1,931**	**10,831**	**9,323**	**76**	**22,161**
Net Book Value					
December 31, 2015	1,251	7,382	448	19	9,100
Sept 30, 2016	**1,215**	**7,074**	**9**	**21**	**8,319**

12. Trade and Other Payables

	Sept 30 2016 $'000	Dec 31 2015 $'000
Trade payables	839	1,311
Accrued expenses	757	937
	1,596	2,248

13. Other Derivative Financial Liabilities

	3 Months Sept 2016 $,000	3 Months Sept 2015 $,000	9 Months Sept 2016 $,000	9 Months Sept 2015 $,000
Net profit on other financial derivatives	3,809	2,576	2,428	1,897
	3,809	2,576	2,428	1,897

	Financial Liability $'000
Balance at January 1, 2015	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
Warrant exercise in the period	(208)
Net profit on financial derivative (warrants) at fair value	(2,,428)
Balance at September 30, 2016	2,176

The net (loss)/gain 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 $3,896,000 at December 31, 2015, and then reduced to $1,942,000 at September 30, 2016 with the resultant profit through the Statement of Comprehensive Income.
In the nine months to September 30, 2016, 1,266,700 C$0.20 warrants were exercised. The warrants were revalued at the exercise date with the result passing through the statement of Comprehensive income. The value of the exercised warrants included in the Derivative Financial liability provision, has been transferred to retained earnings.

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. In the nine months to September, all 2,000,000 C$0.25 warrants were exercised. The warrants were revalued at the exercise date with the result passing through the statement of Comprehensive income. The value of the warrants included in the Derivative Financial liability provision, has been transferred to retained earnings.

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 at December 31, 2015 and decreased to $234,000 at September 30, 2016 with the resultant profit passing through the Statement of Comprehensive Income in the nine months to September 30, 2016.

Warrants issued	Expiry date	No. warrants outstanding as at 30 Sept 2016	Fair value at inception	Fair value at 31 Dec 2015	Fair value at 30 Sept 2016
			US$'000	**US$'000**	**US$'000**
20c July 17, 2014	January 17, 2017	*66,319,700	2,465	3,896	1,942
25c September 18, 2014	September 18, 2016	**-	92	99	-
40c May 7, 2015	May 7, 2017	21,450,000	1,521	817	234
		87,769,700	**4,078**	**4,812**	**2,176**

*1,266,700 warrants exercised in the nine months to September 30, 2016.

** 2,000,000 warrants exercised in the nine months to September 30, 2016.

Fair value hierarchy

The following table sets out the financial assets and liabilities measured at fair value at September 30, 2016 and at December 31, 2015 by level within the fair value hierarchy:

$'000 30 September 2016	Total	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	4,413	4,413	-	-
Liabilities				
Derivative financial liabilities	(2,176)	-	(2,176)	-

$'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)	-

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.

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 September 30, 2016 and December 31, 2015, there were no transfers between level 1 and level 2 fair value measurements in either year.

14. Provisions

	Withholding Tax Provision	Decommissioning Provision	Total
	$'000	$'000	$'000
At December 31, 2015	1,306	2,043	3,349
Unwinding of discount	100	46	146
Closing balance September 30, 2016	1,406	2,089	3,495

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.

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 $1.4m, which has been discounted at 10%.

15. Share Capital

	No.	$'000
At December 31, 2015	304,330,124	63,981
Issued during the period	5,599,476	873
At September 30, 2016	309,929,600	64,854

The following shares were issued in the nine months to September 30, 2016 by way of:

Warrants/options exercised	Issue price Per share C$	No of shares issued	Value C$'000
Broker warrants	0.15	2,032,776	236
Warrants	0.25	2,000,000	382
Warrants	0.20	1,266,700	195
LTIP options	0.25	300,000	60
		5,599,476	**873**

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.

16. Warrant/option reserve

	Sept 30 2016 $'000	December 31 2015 $'000
At January 1, 2016 and January 1, 2015	3,120	2,836
Broker warrants/LTIP options (exercised)/granted during the period	(133)	238
LTIP compensation options/performance share units charged to profit and loss during the period	120	46
At September 30, 2016 and December 31, 2015	3,107	3,120

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 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/ performance share unit 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/ performance share units granted to employees is measured at the date of the grant. Compensation charged in the nine months to September 30, 2016 amounted to $120,000 (2015; $46,000).

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

	As at December 31, 2015	**Forfeited or expired**	**Granted**	**Exercised**	**As at Sept 30 2016**
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	**5,135,000**	-	800,000	(300,000)	**5,635,000**
Performance share units	**-**	-	1,100,000	-	**1,100,000**
Meade Compensation Option	**2,500,000**	-	-	-	**2,500,000**
Options or rights to purchase common shares	**12,855,776**	**-**	**1,900,000**	**(2,332,776)**	**12,423,000**

17. Commitments and Operating Leases

Future operating lease obligations are as follows:

	Sept 30 2016 $'000	December 31 2015 $'000
Within one year	145	88
Within two to five years	363	8
	508	96

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 2020, future minimum payments will amount to $496,000 (2015: $72,000) up until the end of the lease.
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 $12,000 (2015: $24,000).

18. Related Party Transactions

The Company has entered into an operating lease for office space with Fern. Rent expense amounted to $118,000 in the nine months to September 30, 2016 (2015: $112,000). 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 $216,000 of explosives in the nine months to September 30, 2016 (2015: $274,000) 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 Sept 2016 $'000	3 Months Sept 2015 $'000	9 Months Sept 2016 $'000	9 Months Sept 2015 $'000
Wages and salaries	337	348	1,080	999
Directors' fees	23	24	78	78
	360	372	1,158	1,077

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 Sept 30, 2016	Number outstanding December 31, 2015
13/08/2008	06/08/2018	C$0.45	1,500,000	1,500,000
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
05/04/2013	25/03/2023	C$0.35	50,000	50,000
05/09/2014	05/09/2019	C$0.20	660,000	660,000
24/08/2016	24/08/2026	C$0.45	400,000	-
24/08/2016	24/08/2026	C$0.60	400,000	-
Total			5,010,000	4,510,000

Share performance units held by the Company's LTIP the following expiry dates and exercise prices:

Issue Date	Expiry date	Vesting price	Number outstanding Sept 30, 2016	Number outstanding December 31, 2015
10/08/2016	24/08/2019	C$0.50	1,100,000	-
Total			1,100,000	-

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 Sept 30, 2016	Number outstanding December 31, 2015
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 nine months of 2016 and the year-ended December 31, 2015 between the Company and Group companies that were not wholly owned, in respect of management fees and interest on loans.

$'000 **2016**	Avnel Gold Mining Limited	Avnel Gold Mining Limited	$'000 **2015**	Avnel Gold Mining Limited	Avnel Gold Mining Limited
	Charged nine months to Sept 30, 2016	Balance Sept 30, 2016		Charged in year December 31, 2015	Balance December 31, 2015
SOMIKA	5,706	89,572		6,691	83,030
Total	**5,706**	**89,572**		**6,691**	**83,030**

19. 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, 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 and in 2016. The tax audit of SOMIKA for the years ended 2012, 2013 and 2014 commenced in December 2015.