



## AVNEL GOLD MINING LIMITED

### AVNEL GOLD MINING LIMITED ANNOUNCES INTERIM REPORT

Period ended Sept 30, 2005.

**Gold production at the Kalana Mine increases 26% and a follow up diamond drill program to drill define the two recently discovered high- grade mineralization zones is expected to commence in November**

#### Results

Gold production at the Company's Kalana Mine increased by 26% to 3,653 ounces in the third quarter of 2005 and cash costs reduced to \$403 per ounce of gold produced, down from \$573 per ounce in the second quarter. This is the highest quarterly gold production and the lowest cost per ounce since the mine started up operation in January 2004.

Avnel Gold Mining Limited ("Avnel" or the "Company") recorded a net loss of \$5.4 million (\$0.34 per share) for the nine months ended September 30, 2005 and a net loss of \$1.5 million (\$0.03 per share) for the third quarter compared to net losses of \$3.5 million (\$38.26 per share) and \$1.2 million (\$12.43 per share) respectively for the same periods of 2004. The high loss per share for the year to date results from there being only 200,000 shares outstanding prior to the Initial Public Offering on June 30, 2005 when a further 47,193,605 shares were issued.

#### **Exploration: Avnel plans to drill define two recently discovered high-grade mineralization zones**

Following on the success of the recent percussion drill program at the 387 km<sup>2</sup> Kalana Exploitation Permit in southern Mali, the Company has completed a technical report which concluded that a follow-up diamond core and RC drill program would be justified in order to drill define and expand the newly-discovered, high-grade gold zones at Grid 8. This program could begin in November 2005 and involve the use of both diamond core and RC drills. The proposed drill program will entail 12 diamond core holes (1,750m total) and 40 RC holes (3,920m total), all within the Grid 8 area. The projected cost of the drill program is \$865,500.00 USD

Two main mineralised zones have been identified by Avnel in the Grid 8 area; the Djirila Main zone, which encompasses gold mineralised intersections in RC-09a, RC09b, RC-10, and RC-15, and the Djirila South zone, which encompasses gold mineralised intersections in RAB-090 and RAB-118.

The Djirila Main zone is interpreted as a NE-trending, fault-controlled, quartz-vein-stockwork zone located on the NW side of Djirila hill. This zone is characterised by high-grade gold mineralisation and produced significant gold assay intervals (e.g. 73.6g/t over 2m from 70 to 72m in RC-09a, and 45.9g/t Au over 4m from 114 to 118m in RC-15). In addition, the Djirila Main zone also contains significant widths of lower grade intersections (e.g., 5.4g/t Au over 36m from 64 to 100m in RC-09a).

The Djirila South zone is interpreted as a NE-trending, fault-controlled, quartz-vein-stockwork zone located on the SE side of Djirila hill. This zone is characterised by significant but lower grade mineralisation and produced several significant gold assay intervals (e.g., 4.1g/t Au over 6m from 17 to 23m in RAB-090, and 8.3g/t Au over 22m from 35 to 57m in RAB-118).

#### Operations

The Kalana Mine was initially developed and mined by SOGEMORK from 1985 to 1991. The mine was then put on care and maintenance until SOMIKA (80% subsidiary of Avnel Gold, Limited) commenced production in 2004. The mine has limited developed ore reserves and it is planned to complete the necessary shaft sinking and haulage development to enable the mine to achieve an annual

production rate of 60,000 tonnes and an average 26,000 ounces of gold over the 8 years commencing in 2007. During 2005 and 2006 underground production will increase as new mining areas are exposed by ongoing development.

Production data for the Kalana Mine for the periods ended September 30, 2005 and 2004 are as follows:

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Tonnes milled ex underground	7,623	7,963	22,080	24,027
Tonnes milled ex sand stockpile	1,190	Nil	4,362	Nil
Total tonnes milled	8,813	7,963	26,442	24,427
Head grade ex underground ore - g/t	16.66	13.3	15.1	10.45
Head grade ex sand stockpile - g/t	4.92	Nil	4.67	Nil
Total mill head grade - g/t	15.08	13.3	13.4	10.45
Gold recovery -%	86	74	85	69
Ounces Produced	3,653	2,496	9,716	5,674

During 2005 underground production has mainly come from mining of a new ore reserve block below the lowest haulage level (100m below surface). The ore reserve block is being developed down dip and rock is scraped up dip to the haulage level. This mining method will limit the production capacity of the mine until ore can be gravitated to new haulages developed lower in the mine. Productivity of the underground crews is improving, but at a slower rate than anticipated. It is expected that the planned increase in underground production rate will be achieved as the mining crews gain experience and development is completed.

Underground grade at 15.1g/t has been better than both the budget grade of 13.7g/t and forecast ore reserve grades. The underground grade increased to 16.66g/t in the third quarter resulting in gold production reaching record level of 3,653 ounces for the quarter. Gold recovery at 85% in the gravity plant has exceeded the budget of 77%. During the quarter gold recovery reached 86% but, when the ore throughput increases to 5,000tpm, it is anticipated that recovery will reduce to 79%. Underground production commenced in January 2004 and commercial production was achieved in March 2004 with the first gold sales. During the first nine months of 2004 ore was taken mainly from the mining of sweepings (broken ore left underground from previous mining operations carried out in 1991) and the removal of pillars.

The planned production capacity of 60,000 tonnes per annum will be achieved in 2007. This will only be achieved when new ore reserve blocks are accessed from No 2 shaft on new haulage levels located 150 metres below surface. No 2 Shaft is being sunk by mine crews from 125 metres below surface to a depth of 190 metres (210 level). Shaft sinking has advanced to the 233 elevation, and a new shaft station established on 250 level, 150 metres below surface. The sinking program is behind schedule and additional resources are being applied to bring the development program back on schedule. No 1 Sub Incline Shaft is scheduled to be deepened in 2005 from the 290 level (100 metres below surface) to the 240 level to access new ore reserve blocks in the south area of the mine. A new winder has been installed and commissioned to enable the SI shaft to be sunk and hoist ore from the new stopes in 2006. Sinking of the SI shaft has commenced and the shaft is at the 260 elevation.

The Interim Financial Statements are available on Sedar ([www.sedar.com](http://www.sedar.com)) and the Avnel Gold website ([www.avnelgold.com](http://www.avnelgold.com)).

For further information contact:

Roy Meade  
Chief Executive Officer  
Phone +44 207 589 9082; Fax +44 207 589 8507

Email: [rmeade@avnelgold.com](mailto:rmeade@avnelgold.com)

Website: [www.avnelgold.com](http://www.avnelgold.com)

Barry Mire or Neil Murray-Lyon  
Renamark Financial Communications  
Tel : +1 514 939 3989; Fax +1 514 939 8507

Website : [www.renamarkfinancial.com](http://www.renamarkfinancial.com)

*Caution Regarding Forward Looking Statements:*

Statements regarding the corporation's plans with respect to the Kalana Mine and exploration of the Kalana Permit are forward-looking statements. There can be no assurance that the planned ongoing development of the Kalana Gold Mine will be completed as forecast or that the exploration program on the Kalana Permit will identify minerals resources.

The TSX has neither approved nor disapproved the form or content of this information release.