



AVNEL GOLD MINING LIMITED

AVNEL GOLD MINING LIMITED ANNOUNCES INTERIM REPORT Period ended June 30, 2005

Results

Avnel Gold Mining Limited (“Avnel” or the “Company”) recorded a net loss of \$3.9 million (\$19.51 per share or \$0.08 after the issue of 47 million shares) for the first half of 2005 and a net loss of \$2.3 million (\$11.62 per share) for the three months ended June 30, 2005 compared to net losses of \$2.2 million (\$22.41 per share) and \$1.8 million (\$18.35 per share) respectively for the same periods of 2004 for Avnel Cayman. As of June 30, 2005, Avnel had cash of \$7.2 million and working capital of \$4.5 million.

Initial Public Offering

Avnel completed an initial public offering (the “Offering”) of units (the “Units”) consisting of one common share (a “Common Share”) and one-half of one common share purchase warrant (a “Warrant”) on June 30, 2005. The Offering comprised 12,393,605 Units at a price of C\$0.76 per Unit. The Common Shares and Warrants were listed on the Toronto Stock Exchange on June 30, 2005 under the symbols “AVK” and “AVK.wt” respectively. The proceeds of the Offering will mainly be used for development at the Kalana Gold Mine and funding of Avnel’s exploration projects on the Permit. On June 30, 2005 Avnel also converted an aggregate amount of Shareholder Loans, together with accrued interest thereon, in the total amount of \$21,882,000, into 34,800,000 common shares of the Company and convertible loan notes with an aggregate principal amount of \$10,941,000.

Exploration: Avnel intersects high grade mineralization in a new gold discovery

Avnel has completed Three Phases of its exploration program on the Kalana Exploitation Permit in South Mali. Further information regarding these results is contained in Avnel’s previous press releases.

The first two phases focused on soil survey sampling on selected targets on the property. Nine separate, significant gold-in-soil anomalies have been identified and all are considered prospective drill targets.

The first drill target (Grid 8) is located in the south of the permit. A major gold anomaly, over a distance in excess of 1500 metres, had been identified in Phase 1. Significantly the gold anomaly is mirrored by a strong arsenic anomaly. A total of 150 angled RAB holes and 27 RC holes (thirteen angled and 14 vertical) were executed during this phase of drilling which ended in mid June. In all, 6,197 metres of RAB drilling and 2,872 metres of RC drilling were completed on E-W lines with all angled holes oriented -50° to N270°.

The drill holes have intersected significant new gold mineralization, indicating a new gold discovery. Results include 45.9 g/t over 4 metres in hole RC-15 and 73.6 g/t over 2 metres in hole RC-09a. The significant intersections from the current drilling program are given in Table 1.

Table 1. Significant Results from the Initial Drilling Program at Grid-8

Hole ID	Type	UTM North	UTM East	Line	Azimuth	Dip	Depth (m)	From	To	Interval (m)	Au (g/t)
RC-03	RC	1176596	600270	15	N270°	-50°	101	92	100	8	1.1
RC-05	RC	1176597	600137	15	N270°	-50°	101	32	36	4	2.0
RC-09a	RC	1176496	600270	16	N270°	-50°	101	64	100	36	5.4
<i>Including</i>								70	72	2	73.6
RC-09b	RC	1176496	600267	16	N270°	-50°	137	123	137	14	2.1
RC-10	RC	1176496	600204	16	N270°	-50°	130	2	16	14	1.5

RC-15	RC	1176396	600129	17	Vertical	-90°	138	54	60	6	2.4
&								114	118	4	45.9
Hole ID	Type	UTM North	UTM East	Line	Azimuth	Dip	Depth (m)	From	To	Interval (m)	Au (g/t)
RAB-009	RAB	1179200	601248	1	N270°	-50°	42	5	9	4	8.0
RAB-067	RAB	1176197	600207	9	N270°	-50°	60	58	60	2	1.4
RAB-068	RAB	1176196	600250	9	N270°	-50°	60	6	12	6	1.0
RAB-090	RAB	1175997	599688	11	N270°	-50°	35	17	23	6	4.1
RAB-118	RAB	1175599	600316	13	N270°	-50°	59	35	57	22	8.3

Gold mineralization is hosted within a sequence of altered Birimian sedimentary rocks (greywacke, sandstone and siltstone-argillite). Some of the mineralized intersections are clearly related to quartz veins while other parts of the mineralized zones are related to silicified and sulphide-rich sedimentary rocks that contain abundant pyrite and arsenopyrite. The silicification of the rocks appears to be the cause of the topographic anomaly in the area, a broad NE-trending hill around which the large gold-in-soil anomaly is dispersed. Silicification and the presence of abundant sulphides associated with gold within the sedimentary rocks augers well for a disseminated-style deposit of the Morila type, a multi-million ounce resource. It is notable that 6 of the holes reporting significant gold intersections (RC-03, RC-09a and RC-09b, RC-15, RAB-067, and RAB-118) ended in mineralization.

Based on the very positive results from the initial exploratory drill program, Avnel is currently interpreting the results and a follow-on diamond drill program is currently in the planning stages. The main emphasis of the next drill program will be to build a mineral resource base at the new gold discovery in the Grid-8 zone.

Avnel is currently prioritizing the follow up drill programs planned on the other eight gold-in-soil anomalies and expects to announce drilling of at least one other target in 2006. To date a limited area of the Permit has been explored by geochemical soil sampling and three new areas have been identified for sampling programs in the near future.

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 per annum by 2007 and an average 26,000 ounces over the following 8 years. 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 June 30, 2005 and 2004 are as follows:

	Three months ended		Six months ended	
	2005	2004	2005	2004
Tonnes milled ex underground	7,406	9145	14,341	16,464
Tonnes milled ex sand stockpile	Nil	Nil	3,172	Nil
Total tonnes milled	7,406	9,145	17,513	16,464
Head grade ex underground ore - g/t	14.1	9.4	14.3	9.1
Head grade ex sand stockpile - g/t	N/A	N/A	4.93	N/A
Total mill head grade - g/t	14.1	9.4	12.7	9.1
Gold recovery -%	86	64	85	65
Ounces Produced	2,885	1,772	6,063	3,178

During 2005 underground production has mainly come from mining of a new ore reserve block below the lowest haulage level (100 metres 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 over 14.0g/t has been in line with forecast ore reserve grades. Gold recovery 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 6 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. Shaft sinking has advanced 23 metres and a new shaft station established 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 will 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 Sub-Incline shaft to be sunk and hoist ore from the new stopes in 2006.

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

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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.