



AVNEL GOLD MINING LIMITED

AVNEL GOLD MINING LIMITED (AVK: TSX) ANNOUNCES SECOND QUARTER 2009 RESULTS

Period ended June 30, 2009.

For Immediate Release: August 14, 2009

Results

Avnel recorded net loss of \$1,395,000 (\$0.018 per share) for the three months ended June 30, 2009 compared to net loss of \$2,102,000 (\$0.03 per share) in the second quarter of 2008. Whilst revenue has increased by 42% in the second quarter of 2009 compared to the second quarter of 2008 due to higher gold sales volumes and prices, costs have increased by 27% due mainly to higher depreciation charges.

Revenue has increased to \$4,738,000 in the second quarter of 2009 from \$3,330,000 in the same quarter of 2008. Gold sales of 5,085 ounces increased in the second quarter of 2009 compared to 3,679 ounces sold in the second quarter of 2008. Average sales price increased from \$903 per ounce in the second quarter of 2008 to \$930 per ounce in the second quarter of 2009. Sales in the second quarter of 2009 included 750 ounces sold forward at \$964 per ounce compared to sales in the second quarter of 2008 of 750 ounces at \$948 per ounce.

Operations

Avnel's principal assets are an 80% indirect interest in Société d'Exploitation des Mines d'Or De Kalana, S.A. ("SOMIKA") and a 90% indirect interest in the Fougadian exploration and exploitation permit (the "Fougadian Exploration Permit"), through its subsidiary, Avnel Mali SARL. The State of Mali holds the remaining 20% interest in SOMIKA and 10% interest in the Fougadian Exploration Permit. SOMIKA is the owner of a gold mine located in the southwest of Mali (the "Kalana Gold Mine") and is the holder of an exploration permit in respect of 387.4 kilometres squared in south western Mali (the "Kalana Permit"). Avnel's strategic objective, through SOMIKA, is to commercially exploit the underground reserves at the Kalana Gold Mine, and enhance the economics of the Kalana Gold Mine through the conversion of existing open pit mineral resources into open pit reserves and to increase the resource base of open pit resources.

The mineral reserves that can be mined from existing underground infrastructure are currently under review and Avnel has commenced addressing strategies for optimising the exploitation of its extensive resource base at and in the immediate proximity of the Kalana Gold Mine. See below under the heading "Kalana Main Project".

The Company announced by press release on August 11, 2009 that it had entered into an option agreement dated August 10, 2009 (the "Option Agreement") with IAMGOLD Corporation ("IAMGOLD") whereby IAMGOLD has the option to acquire up to an initial 51% indirect interest in the Company's 80% interest in SOMIKA and up to an initial 51% undivided interest in all of the loans made by Avnel to SOMIKA (the "Guernsey Loans") by spending US\$11,000,000 on exploration activities over a three year period, subject to extension, and by delivering a resource calculation of at least 2 million ounces of gold as well as proceeding with a feasibility study. The principal focus of the exploration work to be done by IAMGOLD will be on the northern most part of the Kalana Permit area encompassing the Kalana Gold Mine. A copy of the press release announcing the Option Agreement can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) and the company's website. Together with IAMGOLD, the Company believes that it will have the expertise, experience and funding to take the Kalana Main Project forward and, if successful, to a production decision for a bulk mining operation. The Company and IAMGOLD may also further explore the

remainder of the 387.4 sq. km. Kalana Permit which is in a geologically prospective setting and on which the Company has had some initial exploration success.

The main details of the Option Agreement are as follows:

1. IAMGOLD paid Avnel a signing fee of US\$1 million and will pay a continuation fee of a further US\$1 million in cash on the first anniversary of the Option Agreement subject to IAMGOLD not terminating the option.
2. IAMGOLD is required to spend US\$11 million (net of fees and overheads) within three years (subject to a one year extension) to explore the potential for further gold mineralisation principally in and around the area of the existing Kalana Gold Mine.
3. If IAMGOLD, on the completion of exploration, delivers a National Instrument 43-101 compliant resource study establishing the existence of not less than 2 million ounces of gold and a feasibility study work plan to move forward with a feasibility study, it will have the option to acquire a 51% indirect interest in Avnel's 80% interest in SOMIKA and an undivided 51% interest in the Guernsey Loans. If IAMGOLD funds the exploration costs within the required time period but does not deliver the required resource study and feasibility study work plan it will have the option to acquire a 25% indirect interest in Avnel's interest in SOMIKA and an undivided 25% interest in the Guernsey Loans.
4. After IAMGOLD has acquired an indirect interest in SOMIKA under the Option Agreement, it will enter into a shareholders' agreement (the "Shareholders' Agreement") with Avnel (the terms of which are agreed) to govern IAMGOLD's and Avnel's indirect joint ownership interest in SOMIKA.
5. Under the Shareholders' Agreement, if IAMGOLD exercises its right to acquire a 51% interest under the Option Agreement, IAMGOLD will have the right to acquire up to an additional 19% interest if, among other requirements, it solely funds the preparation of and delivers a feasibility study that supports the development or re-development of a gold mine in the Kalana Permit area. If Avnel participates in the funding of the feasibility study by reimbursing IAMGOLD for 25% of its feasibility study costs, IAMGOLD's additional interest will be reduced to 14%.
6. Pursuant to the Shareholders' Agreement, during the period of the preparation of the feasibility study, Avnel and IAMGOLD will share all operating costs related to the Kalana Mine and Permit Area on a pro-rata basis based on their indirect partnership in SOMIKA.
7. Under the Shareholders' Agreement, if IAMGOLD does not deliver the feasibility study, its interest will drop to 35%.
8. The holder of the majority indirect interest in SOMIKA from time to time will be the operator of the Permit Area.
9. Pursuant to the Shareholders' Agreement, upon delivery of the feasibility study, IAMGOLD will pay a cash fee to Avnel based the number of ounces of gold categorized as reserves in the feasibility study and the number of ounces of gold in excess of 650,000 ounces categorized as resources (excluding reserves) in the feasibility study multiplied by different dollars per ounce depending on the previous 180 day trading average gold price.
10. Pursuant to the Shareholders' Agreement, upon delivery of the feasibility study, as a precondition to IAMGOLD increasing its indirect interest in SOMIKA, IAMGOLD is required to provide a completion guarantee to secure project financing for the development and construction of the mine outlined in the feasibility study or, if it cannot provide such a guarantee or determines project financing on acceptable terms is not available, IAMGOLD shall itself provide the project financing in an amount equal to 60% of the development costs.

Avnel and IAMGOLD shall fund the remaining 40% of development costs on a pro-rata basis based on their indirect ownership interest in SOMIKA.

11. In addition, on August 10, 2009, Avnel issued to IAMGOLD warrants to acquire up to 2 million common shares of Avnel at a exercise price of Cdn.\$0.45 per share. The warrant exercise period expires on the earlier of (i) August 10, 2012 and (ii) the exercise by IAMGOLD of its option under the Option Agreement or otherwise the termination or forfeiture of the option.

Production data for the Kalana Mine for the three month period ended June 30, 2009 and 2008 are as follows:

Mining Operations

The following table shows the production from the Kalana Gold Mine:

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Tonnes milled:				
Underground ore	11,568	12,110	24,351	22,400
Gold grade - grams per tonne (g/t):				
Underground ore	12.2	12.37	12.63	14.82
Recovery rate - %	85.6	86.3	86.1	87.2
Gold production – ounces	3,879	4,150	8,542	9,200
Gold production from mill reline-ounces	492			
Cost per tonne milled	\$277	\$239	\$281	\$268
Operating cost per ounce of gold sold	\$763	\$846	\$740	\$664
Operating cost per ounce of gold produced	\$827	\$698	\$802	\$652

Gold production of 3,879 ounces in the three months ending June 30, 2009 was 39% below plan and 6% lower than the production in the second quarter of 2008. The lower gold production than plan was due to lower mill throughput (22%) and lower head grade (20%).

492 ounces of gold were recovered during the mill reline in May and are shown as additional gold production. This gold was trapped behind the liners that were installed in October 2008. This gold was recovered when the plant was standing due to the underground flooding of the mine. The gold recovered was deposited during the period from October 2008 to May 2009.

Tonnes milled in the second quarter of 2009 were 6% lower than the production achieved in the corresponding period of 2008. This was due to the flooding of the 180m level on 21st May resulting in the underground ore production stopping. Underground production commenced on 6 June. It is estimated that the production loss was 2,300 tonnes and 700 ounces during this period.

The gold grade of ore milled in the second quarter of 2009 was 4% lower than that obtained in the second quarter of 2008. The grade was 20% lower than the planned grade (15.3g/t). Production from the higher grade zone on vein 17 was lower than plan resulting in a decrease in overall grade. The mining grade in the remainder of vein 17 was in line with plan at 13g/t due to better than planned mining widths (1.27m versus 1.6m). Vein channel grades were lower than expected in the quarter. Ore development grade was 5g/t with disappointing results from vein 18, vein 18C and Vein 1 ore development

Gold recovery of 85.6% in the second quarter of 2009 was 1% lower than plan due to the lower head grade..

Development advanced 133 metres in the second quarter of 2009 compared to the planned 302 metres and 535 metres in the first quarter of 2008. Development activities were reduced in the north side of the mine as initial development ore grades and diamond drill assay results indicated lower grades than forecast. Development focused on extending the mining areas on vein 17 and vein 18C where good grades have been mined. Development of vein 18 between 180m level and 100m level has shown ore grades to be lower than expected. The quartz vein is thin with erratic grades. Over a mining width of 1.2m the potential grade is 10g/t which is marginally economic. Management are currently reviewing the planned minable mineral reserves.

The head grade in the second quarter showed a downward trend from 14g/t in April to 9g/t in June. The grade recovered to 10g/t in July. Management are currently reviewing the planned mineable mineral reserves.

Based on the diamond drill results in the 1st quarter, it has been decided to stop underground diamond drill operations. The target areas lie below the existing infrastructure at No 2 Shaft and it is not considered appropriate to continue with this program. The drill holes were targeting Vein 19 and 19A between the 180m level and 220m level. The results show that the veins contain good grades over several narrow channel widths. When the mineralised zone is combined as a number of narrow quartz veins within the metasediments, the mineralised package extends over several metres but at lower grades. This mineralisation is not suitable for narrow vein mining with only gravity recovery as currently practised at Kalana but will be suitable for a mass mining method with a larger gold plant which is designed to recover all gold, not just free milling gravity gold.

Mine operating costs for the three months ended June 30, 2009 amounted to \$4,016,000, and included gold bullion stock movement of \$670,000, compared with \$3,212,000 in the second quarter of 2008. Cash operating costs of \$277 per tonne milled in the second quarter of 2009 were 16% higher than the cost per tonne in the corresponding period of 2008. Cash operating costs per ounce sold of \$763 per ounce of gold sold in the second quarter of 2009 reduced from \$846 per ounce in the same period for 2008.

Liquidity and going concern

The consolidated financial statements have been presented on the basis that the Company is a going concern. Accordingly, the financial statements do not include adjustments relating to the carrying value of assets, the amounts and classification of liabilities, or other adjustments that might result should the Company be unable to continue as a going concern. The Company has total current liability debts of \$13.8 million, \$2.9 million due for repayment on 31 December 2009, and \$10.9 million due 30 June 2010. This debt repayment and continuing operations of the Company are dependent on its ability to restructure and re-negotiate the debt and/or obtain additional financing. There is a risk that additional financing will not be available on a timely basis or on acceptable terms. Management are actively looking at re-financing options to address this issue and expect that financing options will be available to enable the Company to continue to operate as a going concern. In the event that the Company is unable to repay this debt, refinance such debt, or secure additional financing and continue as a going concern, material adjustments would be required to the carrying value of the assets and liabilities and the balance sheet classifications used.

Additional information is available in the MD&A for the quarter ended June 30, 2009 which is available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and the Company's 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.