



AVNEL GOLD MINING LIMITED

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

Period ended September 30, 2009.

For Immediate Release: November 13, 2009

Results

Avnel recorded net loss of \$1,420,000 (\$0.018 per share) for the three months ended September 30, 2009 compared to net loss of \$455,000 (\$0.007 per share) in the third quarter of 2008. Metal sale revenues decreased by 43% in the third quarter of 2009 compared to the third quarter of 2008 due to lower gold sales volumes, partly offset by higher gold prices which rose 6% in the quarter. Operating costs in the third quarter decreased by 32% but this was offset by higher depreciation charges. Operating costs in the nine months to September 2009 increased by 10% compared to the same period in 2008.

Revenue, which included a \$1,000,000 introduction fee from the IAMGOLD Joint Venture, decreased to \$4,396,000 in the third quarter of 2009 from \$5,592,000 in the same quarter of 2008, resulting in revenues for the nine months to September showing an increase from \$14,418,000 in 2008, to \$15,618,000 in 2009. Gold sales of 3,492 ounces decreased in the third quarter of 2009 compared to 6,108 ounces sold in the third quarter of 2008. Average sales price increased from \$913 per ounce in the third quarter of 2008 to \$970 per ounce in the third quarter of 2009. Sales in the third quarter of 2008 included 2,500 ounces sold forward at \$951 per ounce. There were no forward sales in the third quarter of 2009. Gold sales for the nine months to September 2009 at 15,470 ounces decreased slightly from 15,750 ounces in the same period in 2008. The average gold price achieved in the nine months to September 2009 was \$943 per ounce compared to the average gold price of \$913 per ounce in 2008.

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 remaining underground reserves at the Kalana Gold Mine, convert existing open pit mineral resources into open pit reserves and increase the resource base of bulk mineable resources. In August 2009 Avnel concluded a Joint Venture with IAMGOLD in pursuance of this objective under which IAMGOLD is required to spend US\$11 million to explore the Kalana Mine area with a view to realizing a large scale, bulk mineable potential. (see below).

The mineral reserves that can be mined from the existing underground infrastructure are being constantly reviewed and are currently estimated at 32,000 tonnes containing 12,700 gold ounces available to mine. Development may provide additional reserves during the next quarter.

Avnel anticipates the decline in production from the narrow vein underground mine will take place in an orderly transition whilst the bulk mining potential of the Kalana deposit and proximal areas is investigated by the IAMGOLD Joint Venture.

IAMGOLD Joint Venture

Avnel and IAMGOLD Corporation (“IAMGOLD”) each announced in a press release on August 11, 2009 that they had entered into an option agreement dated August 10, 2009 (“the Option Agreement”) on the Kalana Mine. In its Press Release IAMGOLD stated that “Kalana represents an outstanding opportunity for IAMGOLD to explore a strong gold mineralised system with the view of realising the large scale, bulk mineable potential. Opportunities of this nature are few and far between and Kalana is a natural fit with IAMGOLD’s long term strategic objectives to develop a strong pipeline of projects in our focus areas of West Africa, Quebec and the Guiana Shield.” (Summary Details of the Option Agreement are set out below).

The Kalana mine area is underlain by the prolific Proterozoic Birimian volcano-sedimentary sequence that is host to most of the world-class gold occurrences of West Africa. Historical exploration and mining was directed principally at narrow, shallow dipping, high grade veins. The Joint Venture believes that the high grade mineralization may represent only a portion of a much larger gold mineralized system that may be amenable to bulk mining.

Avnel and IAMGOLD have commenced the re-evaluation of the extensive database on the Kalana Mine and the remainder of Avnel’s 387.4 square kilometre Exploitation Permit, with the priority area of interest being the 60 square kilometres in the northern most part of the permit incorporating the Kalana Mine and areas proximal to it.

The Joint Venture initiated field investigations in Q3 2009 with geologic mapping and sampling of approximately four kilometres of underground workings. A detailed airborne radiometric and airborne magnetic survey started in October 2009 to assist with structural interpretation of the 387.4 square kilometre project area, and aid in the evaluation of other known gold mineralized trends, and geophysical data collection is near completion. Work is also underway directed at developing an exploration model to support a significant reverse circulation and diamond drill program to commence in January 2010.

The key terms of the agreement with IAMGOLD are summarized 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 on the first anniversary of the Option Agreement (subject to IAMGOLD not terminating the option before then).
2. IAMGOLD is required to spend US\$11 million 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 resource study establishing the existence of not less than 2 million ounces of gold and a 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.

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.

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% (total 70%) 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 14% (total 65%).

6. If IAMGOLD does not deliver the feasibility study, its interest will drop to 35%
7. 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.
8. Upon delivery of the feasibility study, IAMGOLD will pay a cash fee to Avnel based on 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 the gold price per ounce based on the previous 180 day trading average gold price.
9. 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, , 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 interests in SOMIKA.

On August 10, 2009, Avnel issued to IAMGOLD warrants to acquire up to 2 million common shares of Avnel at an 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 September 30, 2009 and 2008 are as follows:

Mining Operations

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

	Three months ended	
	September 30	
	2009	2008
Tonnes milled:		
Underground ore	12,041	13,993
Gold grade - grams per tonne (g/t):		
Underground ore	12.85	16.21
Recovery rate - %	86.7	86.7
Gold production – ounces	4,314	6,328
Gold production from mill reline-ounces	-	-
Cost per tonne milled	\$287	\$228
Operating cost per ounce of gold sold	\$829	\$700
Operating cost per ounce of gold produced	\$802	\$505

Gold production of 4,314 ounces in the three months ending September 30, 2009 was 26% below plan and 32% lower than the production in the second quarter of 2008. The lower gold production than plan was due to lower mill throughput (23%) and lower head grade (17%). The square meters mined exceeded plan by 13% at a lower mining width (23% better than plan). This contributed to lower tonnes to the mill and better head grade, although the overall grade was 17% lower than plan.

Tonnes milled in the third quarter of 2009 were 14% lower than the production achieved in the corresponding period of 2008. Tonnes milled in the nine months to September 2009 were the same as in the same period to September 2008 but grade was 16% lower at 12.70 g/t for the nine months to September 2009 than the same period in 2008.

The gold grade of ore milled in the third quarter of 2009 was 20% lower than that obtained in the third quarter of 2008. The grade was 17% lower than the planned grade (15.1g/t). Gold production from the higher grade zone on vein 17 was lower than plan due to a decrease in overall grade (actual 12g/t compared to plan 30g/t). The mining grade in the remainder of vein 17 was lower than plan as mining moved to the fringes of the vein. Grade was improved due to better mining control leading to lower mining widths (actual 1.27m versus plan 1.6m). Vein channel grades were lower than expected in the quarter. Ore development grade was 4g/t with disappointing results from vein 18, vein 18C and Vein 1 ore development. The grade for the third quarter was boosted by mining of temporary pillars from the high grade Vein 1. This contributed 1,200 tonnes containing 770 ounces.

Gold recovery of 86.7% in the third quarter of 2009 was in line with plan despite the lower head grade.

Development advanced 58 metres in the third quarter of 2009 compared to the planned 269 metres and 354 metres in the third 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 mining grade is forecast at 8.0g/t. Development of vein 1 below 180m level has shown that the vein grade has reduced to less than 5.0g/t. Development of this potential mining block has been stopped. Development of vein 18C below 180m level showed disappointing grades and a portion of the planned mining block has been abandoned as uneconomic.

Based on the diamond drill results in the 1st quarter, it was 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.

Cash operating costs of \$287 per tonne milled in the third quarter of 2009 were 26% higher than the cost per tonne in the corresponding period of 2008. Cash operating costs per ounce sold of \$829 per ounce of gold sold in the third quarter of 2009 increased from \$700 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 December 31, 2009, and \$10.9 million due June 30, 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, the Company will not be able to continue as a going concern and material adjustments would be required to the carrying value of the assets and liabilities and the balance sheet classifications used.

The Company's cash flow and profitability is dependent primarily on the volume of production, gold prices, operating costs, interest rates on borrowings and investments and discretionary expenditure levels including exploration, resource development and general and administrative costs. With the world economy in recession sources of finance are more difficult to obtain and more expensive. Since the Company has subsidiaries operating in the 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.

Outlook

For the remainder of 2009, Avnel is planning gold production of approximately 3,450 ounces at an average operating cost of approximately \$890 per ounce of gold produced, after royalties. Tonnes milled is planned to be approximately 11,000 tonnes at an average head grade of 9.1 g/t.

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.

Underground development will focus on ore raises and winzes to open up and extend the remaining reserve blocks that can be mined from the 150m and 180m levels via the existing No2 Shaft infrastructure. The low development grades encountered in the second and third quarters are a concern as the mineable mineral reserves are lower than forecast.

However, in November development on Level 120 intersected Vein 17 east of a major fault. Previous Russian geological interpretation, based on surface diamond drilling, considered the flat, quartz vein was cut off by the fault. It is considered possible that vein 17 may extend 30 to 60m east of the fault over an 80m length. Initial sample grades are in excess of 15g/t over a 1.8m channel width (approximately 22g/t over a mining width of 1.4m).

On the 180m level exploration development of three quartz veins has commenced with encouraging results with grades in the 6g/t to 10g/t range and these veins are currently being developed for mining.

The company has commenced a cost reduction program. The program will focus on reducing capital expenditure and operating costs. A retrenchment plan is in place to reduce the employee numbers in line with the anticipated decreasing gold production and reflect increasing productivity from the labour force.

Management have reviewed the planned mineable mineral reserves. As at 30 September the plan showed 19,000 tonnes at 11.7g/t containing 7,000 ounces. With the intersection of vein 17 to the east of the major fault referred to above and the development of the three veins at the 180m level, management has increased its estimate to 32,000 tonnes with contained gold of 12,700 ounces.

It is anticipated that Avnel's Joint Venture with IAMGOLD will have completed the interpretation of the geophysical data captured, which together with the geochemistry, field work and structural geology currently being done, will generate a significant drilling program in and around the Kalana Mine, to commence after the rainy season, in the first quarter of 2010.

The company will require re-financing during the fourth quarter to meet its outstanding liabilities. Management is continuing to negotiate with the holders of the loans due payable in December 2009 (see liquidity and going concern above).

Additional information is available in the MD&A for the quarter ended September 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.