Avnel Gold Mining Limited - Kalana Project Update

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Aggressive exploration drill program continues with 60,000 metres of diamond drilling and RC drilling completed to date

Expenditure to date totals $13.4 million

2011 drill programme has been achieved and drilling continues

2011 exploration investment will exceed original budget of $8million as drilling and field activities continue

ST. PETER PORT, Oct. 11, 2011 - Avnel Gold Mining Limited ('Avnel') is pleased to provide a project update for the work programme on its 80% owned 387.4 km(2) Kalana exploitation permit in Mali conducted by its joint venture partner IAMGOLD Corporation ('IAMGOLD') as operator of the exploration venture. The Option Agreement dated August 11, 2009 provides IAMGOLD with the option to earn an initial 51% interest in Avnel's share of the Kalana project by spending a minimum US$11,000,000 on exploration activities over a three year period and by delivering a NI-43-101 resource estimate of at least 2 million ounces of gold as well as proceeding with a feasibility study.

PROJECT MILESTONES ACHIEVED

- Over 60,000 metres of diamond and RC drilling has been completed to date. The 2011 work program aimed to complete 35,000 metres of diamond and RC drilling with a total budget of $8.0million. This has been achieved by end September and IAMGOLD plans to aggressively advance the project in the 4th quarter.

Location/Drill hole type		2010	Jan-September 2011	Project Total To Date
Kalana Diamond drilling	Metres	12,361	20,253	32,614
Kalana RC drilling	Metres	10,040	9,312	19,352
Kalanako Diamond drilling	Metres	0	5,383	5,383
Kalanako RC drilling	Metres	12,076	0	12,076
Expenditure	US$	6,400,000	7,000,000 (end Aug)	13,400,000

- All drill hole assay results for 2010 drill campaign have been received. 19,000 assays have been received from the 35,000 metres drilled to date.
- The main objective is to complete lines of drill holes spaced between 50m and 100m apart across the Kalana 1 North domain, Kalana 1 South domain and Kalana II domain to enable geological cross sections to be generated and a resource study to be completed during third quarter 2012. One diamond drill rig and one reverse circulation drill rig are on site and commenced drilling in mid September after the rains. Preliminary geological cross sections have been generated for Kalana 1 North (one cross section) and Kalana 1 South (five cross sections).

Results to September 30, 2011

Avnel issued press releases on January 31, 2011, February 22, 2011 and May 26, 2011 and this update should be referenced to those documents.

The Kalana mine area is geologically defined by three structural domains based on the dip and strike of the quartz veins. These domains are known as Kalana I North, Kalana I South and Kalana II, located east of the current mine operations (See Figure 1). Within these domains, the predominant strike and direction of quartz vein packages are shown. In Kalana 1 North veins are dipping predominately south. This is repeated in the Kalana II domain. In the Kalana I South domain the predominant dip direction is east.

The results in this release should be read in conjunction with Figures 1 - 9 as well as Table 1 (Assay Results) and Table 2 (Drill Collar coordinates) posted on Avnel's website www.avnelgold.com All results are expressed in g/t Au.

KALANA I NORTH

Assay results from thirty five diamond drill holes reported show that a mineralised zone, running 400m north of No 2 Shaft and extending over an east west strike of 278 metres, has significant mineralised packages suitable for bulk mining.

Kalana 1 North has been drilled systematically over six north-south sections and two east-west sections. Fifty five diamond drill holes have intersected mineralised zones of varying width and grade. Forty six holes were drilled at a sixty degree angle from south to north at fifty metres between drill hole collars to intersect the predominantly north-south plunging vein structures. Nine drill holes were drilled at sixty degree angle from east to west at approximately 100m between drill hole collars. The surface area covered by the drill sections is 278m (east-west) by 400m (north-south).

Assay results have been received for thirty five holes with results for 20 diamond drill holes outstanding. Recent assay results are shown in Table 1. Figure 2 and Figure 2A is a plan showing all assay results to date.

First interpretations (Kalana I North) are reported on the cross-section Figure 7 from Section W412. This is a North-South section looking to the East (see Figure 2 to localize the section). This section is provisional as it is based on data received from ten of the eleven diamond drill holes on this section line.

On the eastern boundary of Kalana 1 North, the potential for steep, vertical vein packages is being tested during the second half of 2011. This area is shown on Figure 3 where RC drilling is in progress.

KALANA I SOUTH

The diamond drill and RC assay results continue to demonstrate the potential for an open pit in the Kalana 1 South domain, running east-west over 300m and with a strike of at least 200m to a depth of 120m.

During the second half of 2011 infill RC drilling will increase the density of data to enable a mineral resource to be estimated in 2012. There is potential to extend the mineralisation to the north by 150m towards the existing mine infrastructure. It is planned to commence RC drilling in between the existing infrastructure

during the fourth quarter 2011.

Kalana 1 South has been drilled systematically over five east-west sections and four north-south sections. Forty one diamond drill holes have intersected mineralised zones of varying width and grade. Thirty three holes were drilled at a sixty degree angle from east to west at fifty metres between drill hole collars to intersect the predominantly west-east plunging vein structures. Eight diamond drill holes were drilled at sixty degree angle from south to north at approximately 100m between drill hole collars.

Assay results have been received for forty diamond drill holes with results for one diamond drill hole outstanding. Recent assay results are shown in Table 1 and Figure 4 is a plan showing all assay results to date.

Eighteen RC drill holes have been drilled over two east-west sections and assay results have been received for eighteen holes. The RC drill holes are drilled at between fifty five and sixty degrees angle from east to west to a depth of 100m along the drill hole. Drill collars are approximately 50m between holes. Assay results are shown in Figure 4 and reported in previous press releases (see www.avnelgold.com).

The surface area covered by the drill sections is 540m (east-west) by 250m (north-south).

Geological modelling has progressed well with 5 cross sections partially complete. First interpretations (Kalana I South) are reported on the cross-section Figure 8 from Section S100. This is an East-West section looking to the North (see Figure 3 to localize the section). This section is provisional as it is based on data received from twelve of the thirteen diamond drill holes on this section line.

Two RC drill holes (RC133 and RC134) were drilled to a hole depth of sixty metres at sixty degrees from west to east to provide metallurgical samples from the oxide zone (see Figure 2A). RC133 was drilled sub vertical to the vein 3 mineralised package that dips from west to east. The hole showed two mineralised composites as shown below:

-- From 11m to 28m, 17m at a grade of 1.88g/t and from 34m to 53m, 19m a grade of 3.12g/t

This drill hole demonstrates the continuity of the vein 3 package in the oxide zone.

RC134 was drilled sub vertical to the vein 10 mineralised package that dips from west to east. The hole showed two mineralised composites as shown below:

-- From 20m to 26m, 6m at a grade of 1.84g/t and from 33m to 52m, 19m at a grade of 6.25g/t

These drill holes demonstrate the continuity of the vein 3 and vein 10 mineralised package in the oxide zone. These intersections are not a true width of the mineralised package.

KALANA II

The results confirm the existence of an extensive mineralised zone down to 100m below surface over a surface area of 300m by 400m. Additional drilling planned in 2011 will enable the mineralisation to be modelled.

Kalana II has been drilled systematically over seven east-west sections and five north-south sections. Eleven diamond drill holes have intersected mineralised zones of varying width and grade. Five holes were drilled at a sixty degree angle from east to west at 100 metres between drill hole collars to intersect the predominantly west-east plunging vein structures. Six diamond drill holes were drilled at sixty degree angle from south to north at approximately 100m between drill hole collars.

Assay results have been received for nine of the eleven diamond drill holes.

Forty seven RC drill holes have been drilled over seven east-west sections and assay results have been received for forty one drill holes. The RC drill holes are drilled at between fifty five and sixty degrees angle from east to west to a depth of 100m to 130m along the drill hole. Drill collars are approximately 100m between holes. Forty three RC drill holes have been drilled over four north-south sections and assay results have been received for thirty five drill holes. The RC drill holes are drilled at between fifty five and sixty degrees angle from south to north to a depth of 100m to 130m along the drill hole. Drill collars are

approximately 100m between holes.

The surface area covered by the drill sections is 300m (east-west) by 400m (north-south).

Geological interpretation and modelling is in progress. Preliminary interpretation indicates two mineralised domains (named Savana and Superette) dipping from surface to the east. During the second half of 2011 several diamond drill holes and RC drill holes are planned to provide additional geological and assay information. Based on an increased density of data geological modelling will proceed.

Recent assay results are reported in Table 1. Figure 5 and Figure 5A are plans showing all drill holes and assay results to date.

KALANAKO

Kalanako is located five kilometres north east of Kalana. Two mineralised trends, one over a distance of 500m and the other over 250m, have been detected from the RC drill assay results. Mineralisation remains open at depth

During 2010 138 RC drill holes were completed at Kalanako. A total of 14,460m were drilled. Holes were drilled to an average of 105m hole length at an inclination of 55 degrees. Hole collars were spaced 50m apart. Assay results have been received and previously reported for 138 holes.

As at end July 2011 fourteen diamond drill holes were completed at Kalanako. A total of 3,384 metres were completed in DD001to DD014. Holes are drilled from east to west at an inclination of sixty degrees. Diamond drilling continued in September 2011.

The diamond drill holes will provide geological information to assist the interpretation of the mineralised zones identified by the 2010 RC drill hole program. No diamond drill assay results have been received.

The depth of saprolite and saprock is approximately 150 metres, much deeper than that observed at Kalana. Drilling at Kalanako displays numerous high strain zones (shearing and folding), packets of dense laminated quartz vein with sulfides and locally, highly altered and mineralized dioritic intrusives.

Figure 6 is a plan showing all drill holes and assay results to date.

Assaying

The assay turnaround is slower than planned due to work backlog and due to the sampling protocol that requires the full half core to be sample prepped. Approximately 16,000 samples from the 2011 drill program (35,000 metres) that have been sent to SGS laboratory in Bamako are outstanding. IAMGOLD is investigating how to improve the speed of the assay turnaround.

Resource Study

The program to date has made significant progress in constructing a detailed and predictive geological model. The drilling to be completed in 2011 is designed to provide information for IAMGOLD to generate a resource estimate. Assay data from this program should be available by end Quarter 1, 2012 and the resource study complete by Quarter 3, 2012.

Historically diamond drilling at the Kalana Mine has underestimated the grades of the mineralised packages actually mined. This under evaluation is common to high grade quartz vein mines where the nugget effect is very significant. Recent underground development by Avnel of Vein 20 has again shown that drill hole results underestimate gold grades mined. As part of the resource study it is planned to study the nugget effect at the Kalana Mine using historic data and assess what additional methodology can be applied to the sample and assaying protocols. Approximately 1,000 samples are being prepared to be sent to SGS Laboratory in Ouagadougou, Burkina Faso, for assaying using the Leachwell assay methodology. These one kilogram samples are from mineralised drill hole sample rejects that have been already fire assayed using a 50 gram aliquot sample.

Metallurgical test work has commenced with 7 samples from two RC holes and underground samples (weighing 50-70kgs per sample) to Lakefield Laboratories in Canada. Test results are expected during Quarter 4, 2011

Avnel continues to operate the underground mine exploiting exposed quartz veins by narrow stope mining

and gravity gold recovery. This continues to produce data that is helpful to evaluate the nugget effect. In addition Avnel is mining exploration raises (including twinning diamond drill holes) and drifts (a total of 600 metres for 2011) for and at IAMGOLD's cost.

QAQC

Sample protocol entailed the splitting of the core by diamond core saw by IAMGOLD staff at the Kalana mine site. Half of the sample preserved at the Kalana mine site and the other half separated by the metre and dispatched to the SGS analytical facilities in Bamako, a well recognized assay lab in West Africa. Each meter sample was dried, crushed, pulverized to 85% passing 75 micron, and then split using a cone splitter. Approximately 200 grams of the pulverised sample was placed in sealed packets and sent to the SGS assay laboratory in Kayes, Mali. Samples were analyzed for gold using a 50g fire assay. Rejects are returned to the Kalana Mine site and stored by IAMGOLD staff.

As part of the QAQC program, control samples are added. These control samples include standards, blanks and duplicates.

Looking Forward

IAMGOLD expects to complete the drill programs at Kalana and Kalanako in the first quarter 2012 to generate the data for the NI 43-101 Resource Study to be complete in Quarter 3, 2012. The objective is to define a minimum resource of 2 million ounces and submit a work program for a feasibility study.

During 2012 IAMGOLD is also planning to possibly commence testing the gold anomaly targets identified by the termite samples and ground geophysics program completed in 2011. Targets include Djirila (previously drilled in 2006/07), Tenintoumanina, Sanekourou, Dabaran (previously drilled in 2007), Sananfarani, Solomanina and Tonda (see Figure 8).

Technical information regarding the Kalana Gold Mine and the Kalana Permit is provided by Avnel management under the supervision of Roy Meade, a Company director, who is a non-independent 'Qualified Person' as such term is defined in National Instrument 43-101.

ABOUT THE COMPANY

Avnel is a producing gold mining company operating the Kalana Mine in south-west Mali and is engaged in the exploration of the 30-year Kalana Exploitation Permit encompassing 387.4 sq km around and to the south of the Kalana Mine.

Avnel's principal asset is an 80% interest in Société d'Exploitation des Mines d'Or de Kalana ('SOMIKA') which is the holder of the Kalana Exploitation Permit. The Kalana Project is situate in south west Mali. The 387.4 sq km exploitation permit has a NI-43-101 compliant resource of 1,020,000 oz (at an average grade of 10.4 g/t) in the measured and indicated category, and 249,000 oz (at an average grade of 3.4 g/t) in the inferred category. Avnel also holds the Fougadian Exploration Permit covering an area of 75 sq. km. to the south of the main Kalana Exploitation Permit area and abutting it. Avnel and IAMGOLD Corporation have entered into a joint venture arrangements agreement whereby IAMGOLD has the option to acquire up to an initial 51% interest in Avnel's interest in the Fougadian Exploration Permit and in an additional 75 sq. kms to the south of Avnel's Fougadian Exploration Permit area for which IAMGOLD has been granted an exploration permit.

Technical Information and Qualified Person/Quality Control Notes

Information in this release arising subsequent to the date of the 2005 Snowden Technical Report regarding the Kalana Gold Mine and exploration activity is provided by Avnel management under the supervision of Roy Meade (a director of the Company) who is a non-independent 'Qualified Person' as such term is defined in National Instrument 43-101. Portions of the information are based on assumptions, qualifications and procedures which are not fully described herein.

Forward-Looking Information

This release includes certain statements that may be deemed 'forward-looking statements'. All statements in this release, other than statements of historical facts are forward-looking statements. Although Avnel

believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward looking statements include market prices, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Avnel does not assume any obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise

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