Avnel Gold Mining Limited: Kalana Project Update

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ST. PETER PORT, Jan. 31 - Avnel Gold Mining Limited (TSX: AVK) ("Avnel") is pleased to provide a project update for the exploration work programme on its 80% owned 387.4 km2 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 calculation of at least 2 million ounces of gold as well as proceeding with a feasibility study.

PROJECT MILESTONES

- The initial drilling campaign was carried out and completed between February and August 2010. The campaign included 40 diamond drill holes covering 9,821 metres and 11,646 metres of reverse circulation ("RC") drill holes.

- A second drill campaign commenced in October 2010 and 3,343 metres of diamond drill holes and 16,037 metres of RC drill holes were completed by December 2010. Assays are pending and it is expected that they will be reported in February and March 2011.

- Re-assaying of all diamond drill holes from the initial campaign was completed in January 2011. Re-assaying of approximately 10% of RC drill holes was completed by mid January. All RC drill hole re-assays will be completed in February 2011.

- Termite mound geochemical sampling over the northern 60 km2 priority zone and over the remainder of the Kalana Permit was completed. A total of approximately 21,000 samples have been collected and assay results received for 18,000 samples.

- Geophysical data collection over the whole Kalana Permit, as well as the 147 km2 Fougadian Permit contiguous with the southern boundary of the Kalana Permit, has been completed.

- Collection of over 5,000 grab samples from the underground workings in the Kalana Mine and first pass assaying of these samples has been completed.

- Avnel has appointed Strathcona Mineral Services as its technical advisor to the advanced exploration programme being conducted by IAMGOLD pursuant to the joint venture concluded between IAMGOLD and Avnel on 11 August, 2009.

Highlights

- During 2010 diamond drilling and RC drilling has shown the potential for bulk mining at Kalana. IAMGOLD has made significant progress in constructing a detailed and predictive geologic model on the Kalana project. This will allow the optimum design of the 2011 drilling campaign to evaluate mineral resources.

- Mineralised packages up to 20 metres width have been confirmed by drilling and underground development in the northern area of the Kalana Mine. North of the existing underground workings, vertical and flat dipping quartz veins have been intersected between surface and 100m elevation that may provide early access to bulk mineable ore within the saprolite. A new mineralised package of steep, thin, closely spaced veins has been exposed by diamond drilling and underground development between 100m and 180m elevations.

- Initial results from diamond and RC drill holes at Kalana II, east of the existing mine, are providing a better understanding of the potential mineralisation than previously interpreted. This may lead to a significant increase in the existing Mineral Resources.

- The Kalanako prospect lies 3 kilometres north-east of Kalana and offers significant upside potential. Over 14,000 metres of RC drilling was completed in 2010 and additional drilling is planned in 2011. Limited assay

results have been received with encouraging results as reported below.

Re-assaying of diamond drill core and RC drill samples

On October 18, 2010 Avnel issued a press release reporting it had been informed by IAMGOLD that sample preparation protocols had not been consistently followed by SGS, the independent laboratory engaged in the programme, during parts of 2010. The issue was intensively investigated by SGS and IAMGOLD and remedial action has been initiated and close to completion. Investigations revealed that some sample material for pulverisation was lost during the sample preparation phase, and that drill samples were found discarded on the project site. IAMGOLD report that the QA/QC protocols were properly applied to pulverised samples, but that the loss of sample material distorted the representivity of those samples. The investigation and re-assay data indicates that visible gold may have been selectively removed from mineralised zones in some instances before assaying.

All assay results for diamond drilling and RC drilling reported between February and October 2010 have been rejected.

The SGS laboratory at Kalana was closed temporarily and was re-commissioned in November 2010 when more experienced SGS personnel were seconded to the laboratory and additional equipment installed. Some samples from drill holes in the second campaign are now being prepared in the SGS laboratory at Kalana.

All RC and diamond drilling samples from the initial drill campaign are being re-analysed at SGS's sample preparation laboratory in Bamako and analytical laboratory in Kayes. The remaining half core of the diamond drill holes was submitted for sample preparation and assaying. All drill cores had already been photographed and logged, thereby providing a geological record of the core. The RC cuttings were prepared for sample preparation by using samples split from the archived, original field samples. It was IAMGOLD's objective that all the re-assaying would be completed before the end of 2010. All diamond drill re-assays were completed by mid January 2011 and all re-assays of the RC drill samples will now be completed in February 2011.

The results from the first 4,500 samples indicate that the re-assayed gold values of the diamond drill holes are generally higher than the original assay values. A significant number of mineralized intervals display better results with numerous examples showing higher grades.

The QA/QC data for the re-assayed material provide comfort for the results received, and the overall accuracy of the assays received is good. The correlation of assay values to mineralised zones identified by visible gold, quartz veins and geological observations has improved with the re-assays.

Due to the sample preparation problem identified in October 2010, there is a backlog of sample assay results from the 2011 drilling programs. It is planned to report all assay results in the first quarter of 2011.

DIAMOND DRILLING

The first diamond drilling campaign commenced in February 2010 and 40 holes totalling 9,800 metres were completed at the Kalana Mine by the end of May. The first phase drill program was designed to test:

- potential extensions of known veins and intervening material between high grade veins
- potential mineralisation outside of the known Mineral Resources

- the results of underground drilling carried out by Avnel in the aureole around the central intrusion

These diamond drill holes were mainly located outside the existing Kalana Mine and targeted potential additions to the known Mineral Resources (see attached Figure 1). The holes were drilled on the eastern, northern, western and southern boundaries of the mine. Holes are drilled at sixty degrees inclination to an average hole depth of 250 metres. One hole (DDH-39) was collared within the existing mine area and drilled to a hole depth of 487 metres.

In October 2010 the second diamond drill campaign commenced and 3,343 meters were completed by end December 2010. These holes were targeted to provide new drill hole data within the existing Kalana Mine area (see Figure 2 and Figure 3).

The mine has been split into three structural geologic 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.

KALANA I NORTH

Vein 17 Mineralisation Package

Six holes (DD006, 007, 008, 026, 027 and 028) were drilled to test possible extensions of Vein 17 down dip and to the east of a major fault. DD027 and DD028 showed that flat dipping quartz veins such as Vein 17 extend approximately 120 metres east into an area where previous geological models indicated none existed. DD006, 007, 027 and 028 confirmed that Vein 17 is a high grade quartz vein within a mineralised package, as shown in previous geological models. Underground development and stoping on 150m and 180m levels have exposed Vein 17. DDH006 returned 18m at 2.5g/t in the Vein 17 mineralized package close to the bulk sample from the underground development. DD027 returned 10m at 2.3g/t and DD028 returned 8m at 2.46g/t, 10m at 0.57g/t and 3m at 3.71g/t in the same mineralised package. Visible gold was observed in all three holes, although the assay results did not show high grades as observed in stoping operations. These results indicate that borehole assay results are likely to underestimate these high grade, "nuggety gold" quartz mineralised zones. This has been further supported in recent mine development where a twenty degree inclined winze of 75m assayed 4.5g/t over 75m of development. The inclined area is estimated to be equivalent to 15m vertical thickness. This has been historically recognised in similar mineralised deposits and within the existing Kalana Mine.

These drill holes have intersected the Vein 17 package in a limited area and additional drilling is planned to expand the mineralised package to the west and south (see Figure 2).

West of existing mine workings

The western area of Kalana I North was tested by four diamond drill holes (DD029, DD030, DD031 and DD032). All 4 holes were drilled north at sixty degrees inclination. DD001 was drilled 34 degrees east of north at a sixty degree inclination. All these holes show mineralisation extending approximately 50m west of the current underground mining areas. DD029 intersected 11m at 2.08g/t from 16m and 10m at 2,57g/t from 59m. These mineralised zones may be the same as exposed by underground development on 100m level. DD031 and DD032 intersected several mineralised zones of 3m to 8m widths within 80m of surface (see Figure 2).

DD001 was collared west of the Kalana Mine and drilled north-east to a hole depth of 329 metres. The hole was targeting an area north of existing mine development to test the up dip extension of the Vein 19 and 19A and Vein 20 Mineral Resources. This area has been partially tested by underground diamond drilling by SOMIKA in 2008 and long intersections of low grade were assayed. IAMGOLD is planning to examine and possibly re-assay the remaining half core of these diamond drill holes. Multiple grains of visible gold were observed throughout the drill hole DD001. The hole traversed a zone of vertical, thin quartz veins that have not previously been reported. Development during the third quarter on 180m level exposed this drill hole and a zone of vertical, thin quartz veins. Grab sampling returned 1.55g/t over 19m and 0.66g/t over 18m. Assay results confirmed that the hole is well mineralised as shown in Figure 2. Results include 8m at 2.48g/t from 51m, 2m at 13.2g/t from 101m (possibly Vein 17), 8m at 1.73g/t from 132m, 6m at 2.47g/t from 171m and 10m at 4.54g/t from 192m.

DD039 was collared south of the Kalana diorite intrusion and drilled north at sixty degrees through the diorite to a final hole depth of 480 metres. The hole is 200m west of the drill line for DD029 to DD032. The hole traversed 224 metres of diorite. Beyond the diorite the hole intersected twelve metres of strongly altered, silicified and sulphide bearing hornfels. The remainder of the hole showed quartz veins and stockwork, with areas of strong alteration and breccias zones. Significant assay results for the hole from a hole depth of 253 metres to the end of hole are shown in Figure 2.

North of existing Mineral Resources

An east-west drill line of six holes (DD033 to DD038) was completed north of the known Mineral Resources. Holes were drilled from east to west dipping at sixty degrees. The holes were testing vertical structures reported in previous exploration campaigns and interpretation of geophysical data. The holes intersected vertical quartz vein structures as well as flat dipping quartz vein zones.

Drill holes DD036, 037 and 038 intersected mineralised zones within 100m of surface. DD036 intersected 5m at 0.67g/t from 63m and 9m at 0.75g/t from 96m. DD037 intersected 5m at 7.94g/t from 22m, 2m at 10.68g/t

from 59m and 1m at 2.68g/t from 66m. DD038 intersected 20m at 1.03g/t from 5m and 6m at 1.85g/t from 49m. These intersections may represent the northward extension of known veins in the mine towards surface (see Figure 2).

KALANA I SOUTH

An east-west drill line of six holes (DD020 to DD025) was completed south of the underground mine (see Figure 3). Holes were drilled from east to west dipping at sixty degrees. Both vertical and shallow dipping quartz veins and stockworks were intersected. The mineralisation within the veins was observed to be weak and this is reflected in the assay results (see Figure 3).

This drill line above was extended to the east with three holes (DD018, DD019 and DD019A). Holes were drilled from east to west dipping at sixty degrees. These holes were testing the inferred Mineral Resources at Kalana III, which is now part of the Kalana I South domain. DD018, 019 and 019A intersected quartz veins that may be extensions of the Vein 1, 2 and 4 with visible gold observed. DD018 intersected 4m at 13.2g/t from 27m. DD019A intersected 13m at 1.91g/t from 83m. DD019 was drilled to 83m and abandoned due to stuck rods.

A north-south line of four holes (DD002, 003, 004 and 005) was completed. The holes were drilled from south to north at sixty degrees. These holes were testing a zone south of the Kalana diorite intrusion where Avnel completed three underground diamond drill holes in 2008 with long intersections of lower grade mineralisation. Avnel diamond drill hole H1 collared at 100m elevation was drilled at 75 degree inclination at a bearing of 230 degrees to the south-west. Over a drill hole length of 176m, 95m was mineralised. IAMGOLD is planning to examine and possibly re-assay the remaining half core of these drill holes. The IAMGOLD drill fence partially passed through the mineralisation packages intersected in H1.

DD003, 004 and 005 intersected quartz vein packages associated with Veins 1 and 3 in the Kalana Mine. DD003 intersected 3m at 6.21g/t from 42m and 2m at 1.3g/t from 149m. DD004 intersected 12m at 3.96g/t from 116m and 9m at 1.97g/t from 197m. DD005 intersected 4m at 2.29g/t from 19m, 4m at 2.36g/t from 94m and 2m at 2.62g/t from 102m (see Figure 3).

KALANA II

Kalana II is located east of the Kalana Mine and is associated with an east-west striking "dike-like" diorite body.

An east-west drill line of five holes (DD013, 014, 015, 016 and 017) were drilled from east to west at sixty degrees. The holes intersected brecciated quartz vein, quartz stockwork and diorite. Assay results are shown in Figure 4.

A north-south drill line of four holes (DD009 to DD012) was completed over the Kalana II area. Holes were drilled from south to north at sixty degrees. The holes tested the extension of mineralisation north and south of the east-west striking diorite intrusion. Assay results are shown in Figure 4.

The results confirm the existence of an extensive mineralised zone down to 100m below surface. Additional drilling will enable the mineralisation to be modelled. As shown in Figure 4, RC drill holes in the second drilling campaign have increased the density of drill data over Kalana II and two lines were added to test possible extensions to the east and north (see Figure 1). Results from some RC holes in the second campaign have been received. The significant results include RC57 9.88g/t over 16m, RC64 3.66g/t over 8m, RC70 2.07g/t over 10m, RC73 4.78g/t over 16m, RC81 10.2g/t over 4m, RC96 7.05g/t over 8m, RC97 2.70g/t over 13m.

All drill results and hole locations data are shown on Avnel Gold's website www.avnelgold.com

KALANAKO

Prior to the IAMGOLD exploration program, previous exploration drill programs had identified gold mineralisation. IAMGOLD completed a 138 RC hole drill program during 2010 for a total of 14,460m. Holes were mainly orientated east to west at 50m collar spacings and average depth of 105m. Visible gold was observed in 81 holes when the RC cuttings were panned during the sample preparation process. Limited assays have been received as all assays from the May to August 2010 campaign were submitted for re-assay.

Initial interpretation confirms that there are two gold bearing trends in a north-west south-east corridor.

Significant results reported include KORC46 2.7g/t over 13m and KORC36 1.75g/t over 26m.

Future Results

The company expects to report the remaining assay results from the RC drilling campaign of May to July 2010 in February 2011. The results of both diamond drill holes and RC drill holes from the second campaign conducted in the fourth quarter 2010 are now being received and results will be reported during February and March 2011. These results will include those from RC drill holes at Kalanako, located three kilometres from Kalana.

Re-assays and new assays (in better agreement with geological observations) display mineralized package thicknesses varying between 5 to 20m. The new composites show better correlation with Russian and Ashanti data. Geological interpretations, plans and cross-sections are in preparation to explain these results in terms of mineralization and will be reported by March, 2011.

Commenting on the exploration program Mike Donnelly, VP Exploration IAMGOLD, reported in an IAMGOLD press release dated January 20, 2011 that IAMGOLD "has made significant progress in constructing a detailed and predictive geologic model on the Kalana project in Mali, a Joint Venture with Avnel Gold Mining Ltd. ("Avnel"). Significant gold mineralization has been intersected beyond the limits of the high grade underground operation, and on the Kalanako satellite zone located only three kilometres east of Kalana. Systematic drill testing will proceed in 2011 as part of an approved 34,500 metre drill program designed to develop a resource estimate that incorporates the known high grade veins with the potential bulk mineable material in the surrounding mineralized envelopes. Satellite zones, such as Kalanako, offer significant upside potential and will be an important part of the 2011 exploration program. The previously reported remedial drill sample re-assay program initiated in October, and in response to sample preparation irregularities by the independent sample preparation laboratory, remains on track and is about 50% complete. The Company is confident that the re-assay program will support the exploration potential as interpreted by IAMGOLD's Exploration team".

Howard Miller, Avnel Gold's Chief Executive Officer, commented that he is pleased with the initial results of the 2010 drilling campaign and anticipates that results for the 40,847 metres drilled in 2010 will be reported during the first quarter 2011. The aggressive drill program planned by IAMGOLD in 2011 will enable the company to re-assess the mineral resources at Kalana to allow bulk mining. A press release on the 2011 planned program will be released shortly.

All Figures referenced herein can be found on Avnel Gold's website www.avnelgold.com

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 applied for 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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