

# Avnel Gold Mining Limited Announces Private Placement

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ST. PETER PORT, March 7 - [Avnel Gold Mining Limited](#) ("Avnel" or the "Company") (TSX: AVK) is pleased to announce today a best efforts private placement (the "Private Placement") of up to 19,125,000 units of Avnel (the "Units") at a price of Cdn.\$0.40 per Unit (the "Issue Price"). Each Unit will consist of one ordinary share of Avnel and one-half of one ordinary share purchase warrant (each whole warrant a "Warrant"). Each Warrant will entitle the holder to purchase one ordinary share of Avnel at a price of Cdn.\$0.70, at any time for a period of 18 months from the date of issue of the Warrants. Dundee Securities Ltd. ("Dundee") is the lead agent for the Private Placement and may form a syndicate of agents (the "Agents"). The Company has granted the Agents an option, exercisable up to the closing of the offering of Units under the Private Placement, to sell up to an additional 15% of Units at the Issue Price (the "Agents' Option").

The gross proceeds of the Private Placement will be approximately Cdn.\$7,650,000 (increased by 15% if the Agents' Option is exercised in full). Avnel intends to use these proceeds for general corporate purposes.

The Private Placement is expected to close on or about March 31, 2011 and is subject to certain closing conditions, including approval of the Toronto Stock Exchange.

An agency agreement will be entered into on customary terms in respect of the Private Placement. The Agents' obligations thereunder will be terminable in certain events customary for a transaction of this size and nature. The Agents will receive a cash commission equal to 7% of the gross proceeds from the sale of Units under the Private Placement, not including sales of Units to any insiders of the Company, and 2% of the gross proceeds from the sale of Units under the Private Placement to insiders. In addition, the Agents will be granted that number of broker warrants (the "Broker Warrants") that is equal to 7% of the total number of Units sold under the Private Placement (including on exercise of the Agents' Option). Each Broker Warrant will entitle the holder thereof to acquire one Unit at the Issue Price for a period of 18 months following closing of the Private Placement.

It is expected that Elliott Associates L.P. and/or its affiliates will acquire up to 10,996,875 Units under the Private Placement (representing 50% of the Units being offered under the Private Placement if the Agents' Option is exercised in full). Elliott Associates L.P. is currently an insider of the Company and, together with its affiliates, currently holds approximately 101,981,945 issued and outstanding ordinary shares of the Company (approximately 61.2% of the currently issued and outstanding ordinary shares). On closing of the Private Placement, the aggregate shareholdings of Elliott Associates L.P. and its affiliates will increase to approximately 112,978,820 ordinary shares (approximately 59.9% of the post-closing issued and outstanding ordinary shares). Assuming all Warrants issued to Elliott Associates L.P. and its affiliates on closing are exercised in full, the aggregate shareholdings of Elliott Associates L.P. and its affiliates will increase to approximately 118,477,258 ordinary shares (approximately 61.0% of the post-closing issued and outstanding ordinary shares after such exercise).

Elliott Associates L.P. is a related party of Avnel within the meaning of Multilateral Instrument 61-101 - Protection of Minority Shareholders in Special Transactions ("MI 61-101"). Consequently, the participation of Elliott Associates L.P. or any of its affiliates in the Private Placement constitutes a related party transaction within the meaning of MI 61-101 requiring the Company, in the absence of applicable exemptions, to obtain a formal valuation for, and minority shareholder approval of, the related party transaction. The Company intends to rely on the exemptions from the formal valuation and minority shareholder approval requirements of MI 61-101 contained in Sections 5.5(a) and 5.7(1)(a) of MI 61-101 in respect of the related party transaction based on the fact that the fair market value of the related party participation in the Private Placement will not exceed 25% of Avnel's market capitalization prior to the closing of the Private Placement.

## 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 situated 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.

The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons absent registration or an applicable exemption from registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any state in which such offer, solicitation or sale would be unlawful.

### **Forward-Looking Statements**

*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. Specifically, all statements regarding the proposed terms, timing, use of proceeds and completion of the Private Placement are forward-looking statements that involve various risks and uncertainties. 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, results of due diligence reviews by parties to the Private Placement 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. Specifically, there is no assurance the Private Placement will be completed. 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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