AVNEL GOLD MINING LIMITED

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2010

MARCH 29, 2011

AVNEL GOLD MINING LIMITED

1st and 2nd Floors
Elizabeth House
Les Ruettes Brayes
St Peter Port
Guernsey, GY1 1EW

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performances of Avnel, its subsidiaries and their respective projects, the future price of gold, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, estimated costs of future production, capital, operating and exploration expenditures, costs and timing of the development of the Kalana Gold Mine, the costs of Avnel's hedging policy, costs and timing of future exploration, requirements for additional capital, government regulation of exploration, development and mining operations, environmental risks, reclamation and rehabilitation expenses, title disputes or claims, and limitations of insurance coverage. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "is expecting", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. The purpose of forward-looking information is to provide the reader with information about management's expectations and plans for 2011. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Avnel and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, those factors discussed in the section entitled "Risk Factors" in this Annual Information Form. Although Avnel has attempted to identify statements containing important factors that could cause actual actions, event or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein are made as of the date of this Annual Information Form based on the opinions and estimates of management on the date statements containing such forward looking information are made, and Avnel disclaims any obligation to update any forward-looking information, whether as a result of new information, estimates or opinions, future events or results or otherwise or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

Unless otherwise indicated, the information in this Annual Information Form is given as of December 31, 2010.

REPORTING CURRENCY

All amounts in this Annual Information Form are expressed in United States dollars, unless otherwise indicated. References to "C$" are to Canadian dollars.

AVNEL GOLD MINING LIMITED

Avnel Gold Mining Limited ("Avnel") was incorporated under The Companies (Guernsey) Laws 1994 to 2001 (the "Guernsey Act") on February 18, 2005. The Company's registered and records office is at 1st & 2nd Floors, Elizabeth House, Les Ruettes Brayes, St. Peter Port, Guernsey, Channel Islands, GY1 1EW. The Company also has a representative office at 39 Cheval Place, London, UK, SW7 1EW. Subsidiaries of the Company maintain corporate offices in London, UK and Bamako, Mali.

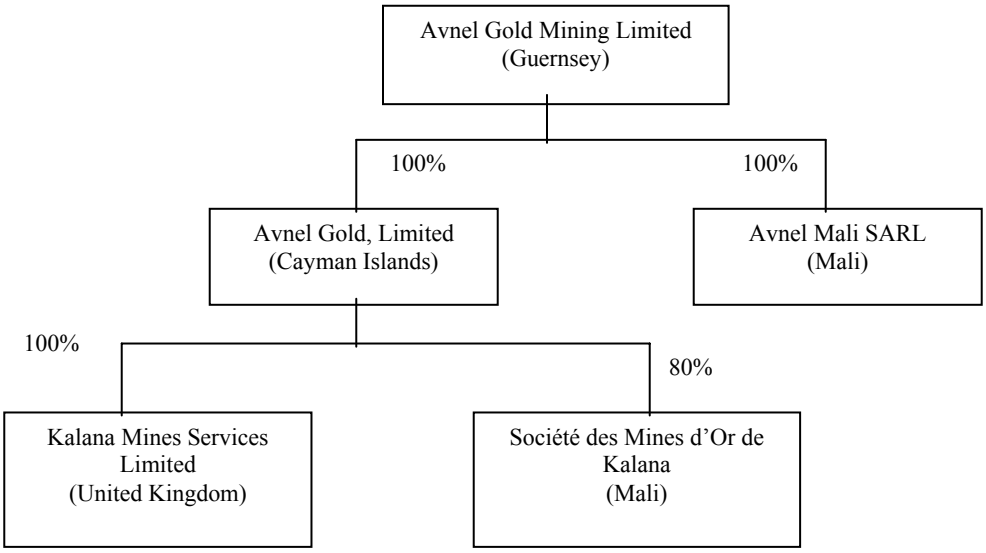
Intercorporate Relationships

Avnel was established for the purpose of becoming the holding company for, and to carry on the business of, Avnel Gold, Limited ("Avnel Cayman"), a corporation incorporated under the laws of the Cayman Islands, pursuant to a reorganization completed on February 22, 2005. Avnel Cayman and subsidiaries own and operate a gold mine located in the southwest of Mali (the "Kalana Gold Mine") and the surrounding exploitation property (the "Concession"), and hold rights to the Kalana exploration and exploitation permit (the "Kalana Permit"). Unless the context otherwise requires, the term "Company" means Avnel, together with its subsidiaries.

Avnel Cayman, a wholly-owned subsidiary of Avnel, is itself a holding company whose principal asset is an 80% interest in Société d'Exploitation des Mines d'Or de Kalana, S.A. ("SOMIKA"). Kalana Mine Services Limited ("Kalana Mine Services"), a wholly-owned subsidiary of Avnel Cayman, provides management services to SOMIKA in respect of the Kalana Gold Mine.

Avnel Mali SARL ("Avnel Mali") is Avnel's corporate representative entity in Mali. Avnel Mali is also the holder of a 90% interest in the Fougadian exploration and exploitation permit (the "Fougadian Exploration Permit") which was acquired in October 2006.

The following diagram illustrates the intercorporate relationships between Avnel and its material subsidiaries which are owned directly or indirectly by Avnel, and their jurisdiction of incorporation:



Notes: The Malian Government holds a beneficial interest in the remaining 20% of SOMIKA which carries with it anti-dilution rights.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Avnel Cayman, a wholly-owned subsidiary of Avnel, was formed on September 28, 2001 as a private company for the specific purpose of tendering for the Kalana Permit, including the Kalana Gold Mine and the Concession. Avnel Cayman's principal asset is an 80% interest in SOMIKA. SOMIKA is the owner of the Kalana Gold Mine and is the holder of the Kalana Permit.

In accordance with the terms of a foundation agreement (the "Foundation Agreement") with the Malian Government, SOMIKA entered into an operatorship agreement (the "Operatorship Agreement") pursuant to which Avnel Cayman operated the mining and exploration activities of SOMIKA. On February 23, 2005, Avnel Cayman assigned its rights in the Operatorship Agreement to Avnel. Avnel currently earns fees as the operator and manager of SOMIKA's mining and exploration activities.

Avnel provides all necessary administrative, financial, technical and consulting services to SOMIKA in respect of the operation of the Kalana Gold Mine. All conditions that apply to exploration and exploitation rights under the Kalana Permit, and the exploitation of the Kalana Gold Mine deposit in particular, including work obligations, reporting, taxes, duties, duty-free arrangements and state equity participation, are covered by the Foundation Agreement.

In addition, under the terms of the Foundation Agreement, the Malian Government is entitled to a 20% stake in SOMIKA. On July 28, 2003, the shareholders' agreement between the shareholders of SOMIKA (the "Shareholders' Agreement") was approved and executed by Avnel Cayman and the Minister of State domains of Mali. The Malian Government's 20% share in SOMIKA was placed in trust with Howard B. Miller, the current Chief Executive Officer and Chairman of the board of directors of Avnel, pending the enactment of the relevant legislation.

On June 24, 2004, an Act of the Malian Parliament was passed to enable the Malian Government to hold the 20% stake in SOMIKA. The shares representing the Malian Government's 20% stake in SOMIKA continued to be held in trust by Mr. Miller pending formal completion of the transfer to the Malian Government, which was completed in 2005.

On June 30, 2005, Avnel completed an initial public offering by issuing 12,393,605 units at a price of C$0.76 per unit, representing aggregate gross proceeds to Avnel of C$9,419,140. Each unit consisted of one ordinary share of Avnel ("Common Shares") and one Common Share purchase warrant of Avnel ("IPO Warrants"). The Common Shares and IPO Warrants are traded on the Toronto Stock Exchange ("TSX") under the symbol "AVK" for the Common Shares and "AVK.WT" for the IPO Warrants. The Warrants expired on June 30, 2010.

On August 10, 2009 Avnel entered into an option agreement with IAMGOLD Corporation ("IAMGOLD") whereby IAMGOLD can earn an option to acquire up to an initial 51% interest in Avnel's 80% interest in SOMIKA by completing a resource study and undertaking to complete a feasibility study for a bulk mineable project. See "*Developments in 2009"*.

On August 5, 2010 the Company completed a private placement of 13,025,000 units of Avnel at a price of C$0.20 per Unit. Each Unit consisted of one ordinary share of Avnel and one-half of one ordinary share purchase warrant. Each Warrant entitles the holder to purchase one ordinary share of Avnel at a price of C$0.35, at any time for a period of 36 months from the date of issue of the Warrants. The gross proceeds of the Private Placement were C$2,605,000 and Avnel intends to use these proceeds for general corporate purposes. Concurrently with the closing of the Private Placement, Avnel equitised all of its outstanding

indebtedness, provided by its related parties Elliott and the Fern Trust, through the issuance of 71,492,382 Units to the holders of such indebtedness at the Issue Price. On August 10, 2010 IAMGOLD paid the second Kalana Joint Venture option fee of US$1,000,000. See "*Developments in 2010"*.

On December 6, 2010 the Company announced that had entered into a joint venture arrangements agreement (the "Joint Venture Arrangements Agreement") whereby IAMGOLD has the option to acquire up to an initial 51% interest in Avnel's 90% interest in the Fougadian Exploration Permit. See *"Developments in 2010".*

Three Year History

Developments in 2008

On April 14, 2008, Avnel completed three transactions with its principal shareholders and two other shareholders of the Company. First, a non-brokered private placement of 6,542,857 Common Shares was made to Elliott International L.P. and The Liverpool Limited Partnership, an affiliate of Elliott International L.P., and two other Avnel shareholders, at a price of $0.35 per Common Share for gross proceeds of C$2,290,000 ($2,231,000). Second, a secured term loan in the principal amount of $3,000,000 was provided by Manchester Securities Corp., an affiliate of Elliott International L.P., to Avnel (the "Loan Facility"), which was to be repaid on December 31, 2009. The Loan Facility is secured by a security interest granted over all of the ordinary shares of Avnel Cayman held by the Company and Avnel's interest under an intercompany loan agreement among Avnel, Avnel Cayman and SOMIKA. Third, the maturity date of the term loan notes (the "Term Loan Notes") previously issued by Avnel on June 30, 2005 to each of Elliott and the Fern Trust was extended from December 31, 2008 to December 31, 2009. The Term Loan Notes continued on the same terms in all other respects.

On August 5, 2008, Firdaus (Fred) Abbasi was appointed as Chief Financial Officer of the Company. Mr. Abbasi replaced Andrew Herbert who held the position of Chief Financial Officer of the Company since December 2005. On January 7, 2009, the Company announced that Mr. Abbasi had to resign from this position as a result of ill health.

On September 30, 2008, Roy Meade stepped down as Chief Executive Officer of the Company and continued as an executive director of the Company. Mr. Meade was replaced by Howard Miller, the current Chairman of the board of directors of the Company. On January 1, 2009, Mr Meade was appointed as the General Director of SOMIKA SA and resides in Mali. He continues to serve as a director of Avnel.

Avnel planned to optimise the extraction of the Kalana Gold Mine mineral resources by initially mining the underground mineral reserves whilst assessing the potential for a larger operation. Due to the delays in establishing the underground mine at the nominal capacity of 60,000 tonnes of ore per annum, limited progress was made on assessing the open pit potential of the deposit. In late 2008, Avnel commenced a study, called the "Kalana Main Project", to evaluate the open pit potential of the Kalana Gold Mine.

For the period from the commencement of the fourth quarter of 2008 through to the end of 2009, the Company allocated a budget to the Kalana Main Project which was led by the Company's Vice President Exploration, Dr. Andrew Killick.

The objective of the Kalana Main Project is to (i) capture the very large geological database generated in paper form by Societe Nationale de Recherche et d'Exploitation Miniere ("SONAREM") and Societe de Gestion des Mines d'Or de Kalana ("SOGEMORK") (two Malian state companies operating with financial and technical assistance from the former Soviet Union) into a digital database (ii) re-interpret

that data to assess the potential for gold mineralization outside of the flat dipping quartz vein structures mapped and assayed by SONAREM and SOGEMORK and (iii) optimise a future drill program to enhance the existing mineral resource base. These quartz vein structures host substantially all of the Kalana Gold Mine's mineral resources, as reported in the National Instrument 43-101(as defined below) compliant "Kalana Gold Mine Technical Report 17 January, 2005" prepared by Snowden Mining Industry Consultants (Pty) Ltd. (the "2005 Snowden Technical Report") and filed on SEDAR. Avnel has continued underground exploration by development and diamond drilling and this data will be included in the database. Underground mining has exposed numerous quartz vein, stockworks and mineralization in the metasediments that had not been included in the SONAREM and SOGEMORK ore body interpretation. See "*Description of the Business – Our Mineral Properties – Kalana Gold Mine – Previous Exploration".*

Developments in 2009

On August 10, 2009, Avnel entered into an option agreement with IAMGOLD (the "Option Agreement") whereby IAMGOLD can earn an option to acquire up to an initial 51% interest in Avnel's 80% interest in SOMIKA by completing a resource study and undertaking to complete a feasibility study for a bulk mineable project.

The key terms of the agreement with IAMGOLD are summarized as follows:

- IAMGOLD paid Avnel a signing fee of $1 million and will pay a continuation fee of a further $1 million on the first anniversary of the Option Agreement (subject to IAMGOLD not terminating the option before then).

- IAMGOLD is required to spend $11 million within three years (subject to a one year extension) to explore the potential for further gold mineralization principally in and around the area of the existing Kalana Gold Mine.

- 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 and an undiluted 51% interest in all of the loans made by Avnel to SOMIKA (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 undiluted 51% interest in the Guernsey Loans.

- After IAMGOLD has acquired an indirect interest in SOMIKA under the Option Agreement, it will enter into a shareholders' agreement (the "IAMGOLD Shareholders' Agreement") with Avnel (the terms of which are agreed) to govern IAMGOLD's and Avnel's indirect joint ownership interest in SOMIKA.

- Under the IAMGOLD 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%).

- If IAMGOLD does not deliver the feasibility study, its interest will drop to 35%.

- During the period of the preparation of the feasibility study, Avnel and IAMGOLD will share all operating costs related to the Kalana Gold Mine and Kalana Permit Area on a pro-rata basis based on their indirect partnership in SOMIKA.

- 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.

- 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.

Following the signing of the joint venture arrangements, IAMGOLD actively commenced activities at the Kalana Mine and environs as well as on the remainder of Avnel's 387.4 sq. km Exploitation Permit. Airborne geophysics have been flown over the entirety of the permit, extensive underground sampling and mapping has been undertaken in the Kalana Underground Mine and further geochemistry has been done on the known Kalanako deposit. The results of this field work was analysed to plan and finalise an extensive drill program which commenced in February 2010.

The maturity date of the term loan notes (the "Term Loan Notes") previously issued by Avnel on June 30, 2005 to each of Elliott and the Fern Trust and extended from December 31, 2008 to December 31, 2009 was further extended to June 30, 2010. The secured term loan maturity, in the principal amount of $2,000,000 provided by Manchester Securities Corp., an affiliate of Elliott International L.P., to Avnel (the "Loan Facility"), repayable on December 31, 2009 was extended to June 30, 2010. The loan facility is for $3,000,000 and as at December 31, 2009 $2,000,000 was drawn down. The Term Loan Notes and Loan Facility continued on the same terms in all material respects.

On February 1, 2009, Alan McFarlane was appointed Vice President Finance and appointed Company Secretary on May 7, 2009. Dr. Andrew Killick resigned as Vice President, Exploration on October 30, 2009.

Developments in 2010

On August 5, 2010, the Company completed a private placement (the "Private Placement") of 13,025,000 units of Avnel at a price of C$0.20 per Unit. Each Unit consisted of one ordinary share of Avnel and one-half of one ordinary share purchase warrant (each whole warrant a "Warrant"). Each Warrant entitles the holder to purchase one ordinary share of Avnel at a price of C$0.35, at any time for a period of 36 months

from the date of issue of the Warrants. Dundee Securities Corporation was the lead agent for the Private Placement which also included Haywood Securities Inc. and PI Financial Corp. The gross proceeds of the Private Placement were C$2,605,000 and Avnel used these proceeds for general corporate purposes. Concurrently with the closing of the Private Placement, Avnel equitised all of its outstanding indebtedness, provided by its related parties Elliott and the Fern Trust, through the issuance of 71,492,382 Units to the holders of such indebtedness at the price per unit under the Private Placement. On August 10, 2010 IAMGOLD paid the second Kalana Joint Venture option fee of US$1,000,000.

On December 6, 2010 the Company announced that it had entered into a joint venture arrangements agreement (the "Joint Venture Arrangements Agreement") whereby IAMGOLD has the option to acquire up to an initial 51% interest in Avnel's 90% interest in the Fougadian Exploration Permit. Under the terms of the Joint Venture Arrangements Agreement, IAMGOLD will fully fund and satisfy the expenditure requirements of the Fougadian Exploration Permit and, upon establishing a qualifying mineral resource of not less than 250,000 oz of gold, may earn a 51% interest (of Avnel's 90% interest) in the permit. Upon delivery of a pre-feasibility study, IAMGOLD will be entitled to increase its interest to 65%. After delivery of a feasibility study, IAMGOLD will undertake to procure or provide project financing to develop a mining operation.

Financing Outlook for 2011

On March 18, 2011, the Company announced a best efforts private placement of up to 25,000,000 units of Avnel (the "2011 Units") (inclusive of the Agents' Option to sell additional 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. 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. $10,000,000 (inclusive of the Agents' Option to sell additional units). Avnel intends to use these proceeds for general corporate purposes.

DESCRIPTION OF THE BUSINESS

Our Business

Avnel is an exploration and mining company, whose strategic objective, through SOMIKA, is to commercially exploit the reserves at the Kalana Gold Mine, and enhance the economics of the Kalana Gold Mine through underground exploration to increase mineral reserves and through surface exploration (including feasibility studies) to convert surface resources into reserves. In addition, the Company's intention is to continue exploration of the Kalana Permit area to identify new resources and discover additional gold deposits. On August 10, 2009, Avnel entered into the Option Agreement with IAMGOLD whereby IAMGOLD can earn an option to acquire up to an initial 51% interest in Avnel's 80% interest in SOMIKA by completing a resource study and undertaking to complete a feasibility study for a bulk mineable project.

Avnel also plans to further explore the Fougadian Exploration Permit which lies directly south of the Kalana Permit. On December 6, 2010 the Company announced that it had entered into a joint venture

arrangements agreement (the "Joint Venture Arrangements Agreement") whereby IAMGOLD has the option to acquire up to an initial 51% interest in Avnel's 90% interest in the Fougadian Exploration Permit. The Fougadian Permit held by Avnel previously comprised 150 sq. km. to the south of and abutting the Kalana Exploitation Permit. Avnel relinquished the southern half of its ground in accordance with the Malian Mining Code and was granted a new exploration licence on the northern half on March 23, 2010. IAMGOLD has applied and received an exploration permit in respect of the southern 75 sq. km. The combined permits are referred to as the "Fougadian Exploration Permit".

Under the terms of the Joint Venture Arrangements Agreement, IAMGOLD will fully fund and satisfy the expenditure requirements of the Fougadian Exploration Permit and, upon establishing a qualifying mineral resource of not less than 250,000 oz of gold, may earn a 51% interest (of Avnel's 90% interest) in the permit. Upon delivery of a pre-feasibility study, IAMGOLD will be entitled to increase its interest to 65%. After delivery of a feasibility study, IAMGOLD will undertake to procure or provide project financing to develop a mining operation.

The Fougadian Exploration Permit had an initial three year life, which was renewed for a further three year period in March 2010 with committed expenditures of $1.9million over this period. Avnel has explored the whole permit by soil sampling. See "*Description of the Business – Our Mineral Properties - Fougadian Exploration Permit*".

Management of the Company and its board of directors have considerable experience in identifying, acquiring and financing mining operations, as well as managing public companies. Avnel's management team also has a proven record of success in various aspects of the mining industry, including exploration, mining, processing and marketing.

Avnel's workforce is well trained and has significant operational experience at all levels. As at December 31, 2010, the Company had 455 employees, of whom 450 are located in Mali and five of whom are located in London. The Company reduced the number of employees in the first quarter of 2010 when 74 were retrenched as part of a cost reduction plan.

Our Mineral Properties

Avnel holds an 80% indirect interest in SOMIKA, which, subject to the rights held by the Malian Government therein, is the owner of the Kalana Gold Mine and is the holder of the Kalana Permit.

Avnel also holds an indirect 90% interest in the Fougadian Exploration Permit, through its subsidiary, Avnel Mali.

Kalana Gold Mine

The information in this section is summarized or extracted from the 2005 Snowden Technical Report, prepared by G.M. Greenway, Principal Resource Geologist, and D.H. Kullmann, Principal Consultant Mining Engineer, of Snowden Mining Industry Consultants (Pty) Ltd. ("Snowden"), each of whom is a "Qualified Person" in accordance with National Instrument 43-101 — Standards of Disclosure for Mineral Projects ("National Instrument 43-101"). The authors of the 2005 Snowden Technical Report are independent of Avnel within the meaning of National Instrument 43-101.

Reference should be made to the full text of the 2005 Snowden Technical Report, which is available for review on the System for Electronic Document Analysis and Retrieval (SEDAR) located at www.sedar.com and on the Company's website at www.avnelgold.com for a description of the Kalana Gold Mine.

Information in this section 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) and Andrew Killick (a former consultant to the Company), each of whom 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.

Introduction

The Kalana Gold Mine is located in the southwest of Mali and consists of an operating underground gold mine and exploration property of 387.4sq.km. The Kalana Gold Mine is owned by SOMIKA (80% ownership) and the Malian Government (20% ownership). The property is a developed mine site consisting of an underground mine operation, open pit workings, a gravity plant and related infrastructure. The Kalana Gold Mine was actively mined from 1985 to 1991 and was placed on care and maintenance until operations were resumed by SOMIKA in January 2004.

Gold mineralization is predominantly within flat dipping quartz veins that make up approximately 80% of the underground resource tonnage, with the remainder of the resource occurring within stockworks, situated within metasedimentary rocks centred on a diorite stock and a small amount from tailings.

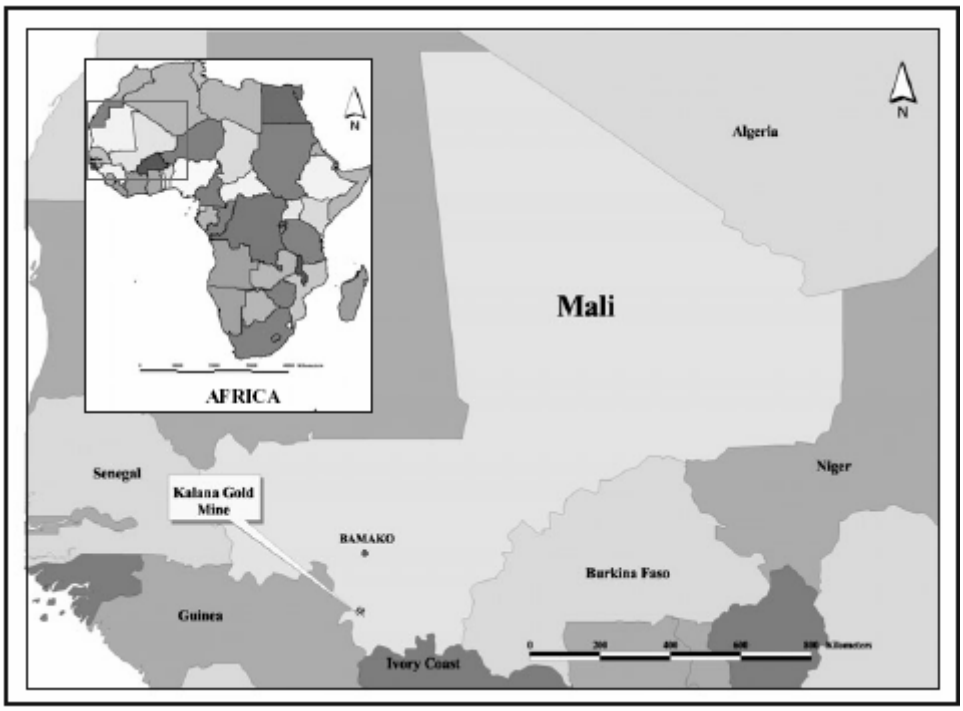
Snowden concluded that the Kalana Gold Mine is an operating gold mine that has the potential to produce gold from the identified reserves as of the date of the 2005 Snowden Technical Report at the planned mining rate for a 10 year period and represents a project with merit. In Snowden's opinion, there remains a reasonable potential to define additional reserves from inferred and indicated resources through continued mine development and exploratory drilling which the Company has been pursuing.

Section 18.2 of the 2005 Snowden Technical Report entitled "*Economic Analysis*" is incorporated by reference into and forms an integral part of this Annual Information Form.

Property Description and Location

The Kalana Gold Mine is located approximately 250 km by road south of Bamako, the capital of Mali. Access from Bamako is via a sealed highway for about 160 km and the rest by a dirt road to Kalana.

Figure 1: Location of the Kalana Gold Mine in Mali, West Africa.



Mali, located in West Africa, has a land area of 1,241,000 km^2, a third of which is covered by the Sahara desert. It is a land-locked country, connected by railway (1,228 km) to the port of Dakar in Senegal. Mali has a population of approximately 11 million people. The Kalana Permit was transferred to Avnel Cayman according to a decree dated April 7, 2003 of the Malian Government (the "Decree"). Subsequently, the Malian Government authorized the transfer of the Kalana Permit from Avnel Cayman to SOMIKA on December 30, 2003.

The Kalana Permit contains the following general terms:

(a) the Kalana Permit is for gold and silver within the permit perimeter;

(b) the Kalana Permit was granted for a period of time of 30 years as from the date of signature of the present Decree; and

(c) Avnel was required to invest during the first three years of validity of the Kalana Permit a total amount of $1,335,000, corresponding to the exploration and development works on the perimeter of the Kalana Permit, divided as follows:

  (i) $270,000 for the first year;

  (ii) $365,000 for the second year; and

  (iii) $700,000 for the third year.

If, at the end of the three year period, Avnel had not begun commercial production of the Kalana Gold Mine deposit, Avnel was to deliver to the Malian Government an evaluation report highlighting the technical and economic factors that have prevented commercial exploitation. In such an event, the

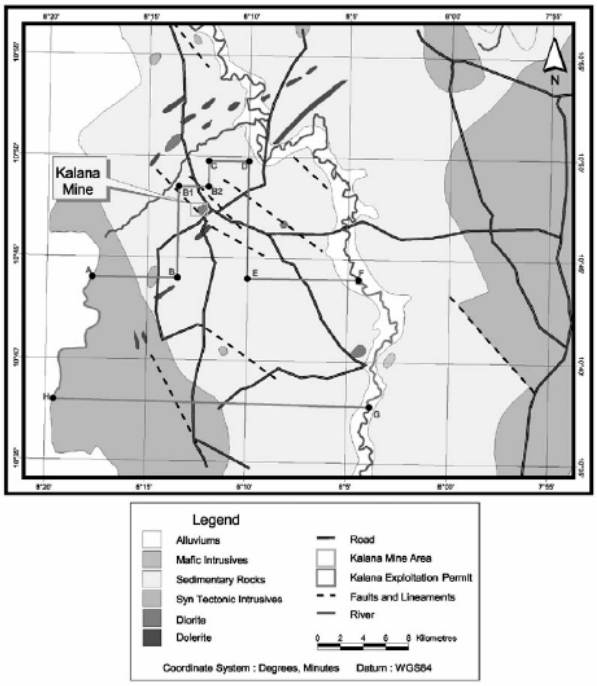
Malian Government would negotiate with Avnel the terms for granting a research and prospecting permit in accordance with the provisions of the 1999 Mining Code.

Avnel believes that the expenditure made by it to bring the Kalana Gold Mine into production, and the feasibility studies and exploration work it has conducted is in compliance with the investment conditions stipulated by the Kalana Permit. The Kalana Gold Mine recommenced operations in January 2004, and gold has been produced well within the three year period required by the Kalana Permit.

The Kalana Gold Mine consists of an underground mining operation, an associated gravity processing plant and infrastructure adjacent to the village of Kalana in southwest Mali. The Kalana Gold Mine is located in the northern part of the Concession and covers a surface area of 2.0 km^2 of the 387.4 km^2 Concession.

Figure 2 below shows the location of the Kalana Gold Mine that contains the only known mine workings, mineral resources and mineral reserves within the Kalana Permit.

Figure 2: Geological map of the Concession



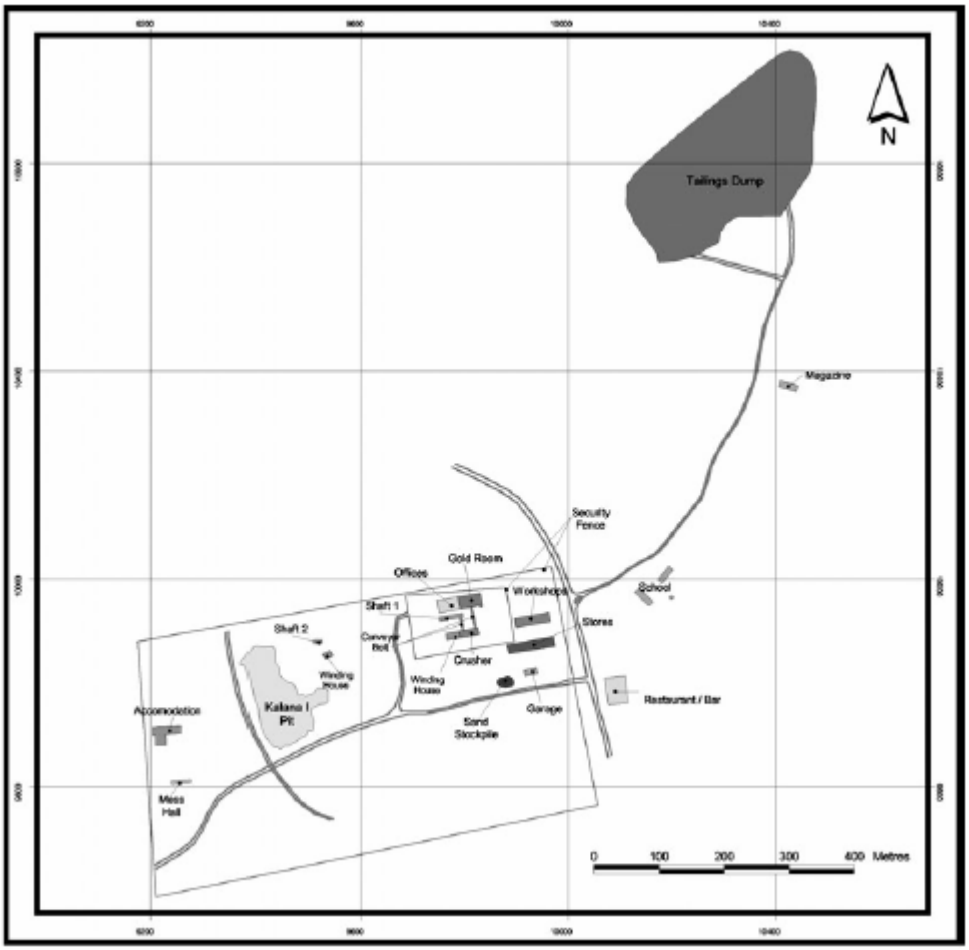
Accessibility, Climate, Local Resources and Physiography

The Kalana Gold Mine is a year round operation that is serviced from Bamako via a sealed highway for about 260 km and the remaining 30 km by a dirt road to Kalana. Bamako has an international airport with daily flights to Paris and many West African destinations. The climate is sub-tropical with rainfall mostly in the period June through to September. The topography is undulating at an average elevation of 390 m above mean sea level with approximately a 40 m range in elevation around the mine. The Kalana Gold Mine is located within 1 km of the village of Kalana, in the Sikasso District.

Water for mining and process operations is available from underground sources. Excess water from the underground operations is discharged into a perennial stream and is used for local agricultural activity.

Power is provided from the national electricity grid. The capacity of the power line is 5.0 MVA and the Kalana Gold Mine operation currently averages 2.0 MVA demand. The Kalana Gold Mine currently discharges tailings into the small Kalana 1 open pit located near the No 2 Shaft. From 2003 to 2009, tailings were deposited into an existing facility after the wall of the tailings dam was raised in 2003. Figure 3 below is a plan showing the layout of the surface infrastructure of the Kalana Gold Mine. The tailings dam was further raised in 2010.

Figure 3: Kalana Gold Mine surface infrastructure (local mine grid).



History

The area covered by the Kalana Permit, and in particular the Kalana Gold Mine deposit, was intensively explored from 1967 to 1982 by two Malian national companies, SONAREM and SOGEMORK, as part of a Soviet Technical Assistance Program to Mali. A decision was taken in 1982 to develop the Kalana Gold Mine as a small underground mine using a recovery process based on crushing, milling and gravity concentration.

Production commenced in 1985 and a total of 227,000 tonnes of ore was treated at an average head grade of 13 g/t to produce 81,000 ounces of gold by August 1991. The technical and financial resources were withdrawn in 1991 from the Kalana Gold Mine with the break-up of the former Soviet Union. This resulted in operations being stopped and the Kalana Gold Mine being placed on care and maintenance. The Kalana Permit was originally granted to SOGEMORK in 1984 and reverted to the Malian Government following the dissolution of SOGEMORK in February 1992.

In 1994, the Malian Government embarked on a privatization program with the assistance of the World Bank. As part of that program, the Malian Government launched an international call for tenders for the Kalana Permit. In February 1995, a joint venture (the "Ashanti-JCI Joint Venture") of Ashanti Goldfields ("Ashanti") and Johannesburg Consolidated Investment Co. ("JCI") were awarded the right to acquire an 80% interest in the Kalana Permit with the Malian Government holding the remaining 20% free carried interest. Ashanti was to be the operator of the Kalana Permit. JCI withdrew from the Ashanti-JCI Joint Venture in 1996 and in 1997 Ashanti mandated Rothschild Natural Resources LLC to seek a suitable mining company to develop, operate and acquire a majority interest in the Kalana Permit.

In May 1997, Nelson Gold reached agreement with Ashanti, subject to approval of the Malian Government. Following that agreement, Nelson Gold conducted a feasibility study on the Kalana Gold Mine. The Malian Government did not ratify the agreement between Nelson Gold and Ashanti. On April 15, 1999, the Minister of Mines of the Republic of Mali notified Ashanti that the Malian Government had terminated its right to the Kalana Permit as the Ashanti-JCI Joint Venture had failed to meet its contractual commitment to put the Kalana Gold Mine into production within the prescribed three-year term. The Malian government re-issued international tenders in July 1999, and again in October 2001. Nelson Gold submitted a tender in July 1999, but was unsuccessful. However, the successful company did not meet its initial financial commitments, as a result of which the tender was cancelled.

In July 2000, Elliott Associates L.P. acquired Nelson Gold's intellectual property of the Kalana Gold Mine. This consisted of the various feasibility studies undertaken by Nelson Gold. In September 2001, Elliott Associates L.P. formed Avnel Cayman specifically to tender for the Kalana Gold Mine. Avnel Cayman tendered a bid in the October 2001 invitation. It ranked highest in its technical bid, but was the second highest financial bidder and, accordingly, was not awarded the tender. When the company that was successful failed to meet its financial commitments, the Malian Government offered Avnel Cayman the right to acquire the Kalana Permit and the tender was formally awarded to Avnel Cayman on December 23, 2002.

The necessary legal agreements were concluded in the early part of 2003 and the Kalana Permit was awarded to Avnel Cayman on April 7, 2003. On July 23, 2003, SOMIKA was incorporated as an 80% owned subsidiary of Avnel Cayman with the Malian Government holding a free carried 20% interest. Subsequent to the Foundation Agreement, Avnel Cayman transferred the Kalana Permit to SOMIKA and the transfer was confirmed by the decree of the Malian Government in December 2003.

Previous Exploration

The region has a long history of gold extraction with artisanal miners exploiting the alluvial placers. The first report of gold at Kalana was in 1931 by a geologist conducting regional exploration when a high grade quartz-gold vein was found in an artisanal working.

1963 to 1991

Initial work on the exploration of the Kalana Permit area was carried out by SONAREM and SOGEMORK between 1967 and 1982. In this period, 815 diamond drill holes (totalling 81,524 m) were

drilled focusing on an area adjacent to the Kalana village. This area eventually became the Kalana Gold Mine.

In a second phase of drilling between 1989 and 1991, a further 56 holes (totalling 16,000 m) were drilled by SOGEMORK to test the deeper parts of the Kalana Gold Mine. The result of the exploration drilling was a final drill spacing of approximately 50 m by 50 m. Sampling of core was generally only where high gold grades were apparent, i.e. the gold bearing quartz veins as the perception was that only the high grade free milling quartz veins could be profitably mined with the technology available in Mali at that time. The quartz veins and their immediate hanging and foot walls were analysed with the result that only a fraction of the core was analysed (likely being significantly less than 10%).

The majority of the drill holes were either vertical or sub vertical as the veins targeted were flat dipping. As such this drilling was not optimally oriented to intersect steeply dipping mineralized zones.

Borehole information was interpreted by SOGEMORK on northeast-southwest sections that are spaced at intervals of between 45 m and 50 m. In addition, there are longitudinal sections aligned northwest-southeast at intervals of approximately 60 m. The SOGEMORK exploration staff interpreted rock types, structure and the mineralized features, such as quartz veins and areas of stockwork, on these sections in great detail.

SONAREM-SOGEMORK also conducted exploration within the Kalanako I prospect area that is approximately 3.0 km to the northeast of the Kalana Gold Mine. SONAREM-SOGEMORK reported a historical resource of 600,000 tonnes at a grade of 3.6 g/t Au. Snowden cannot comment on the reliability of this historical resource as information regarding the estimate was not available for Snowden's review.

From 1963 until the 1980s, intermittent exploration activities were carried out by SONAREM-SOGEMORK on grids in the southern part of the Kalana Permit area. Most of the work within these grids involved mapping, selective sampling, and ground geophysics. No drilling or systematic soil geochemistry was conducted in the southern grid areas.

1995 to 1996

The Ashanti-JCI Joint Venture was formed in 1995 to evaluate the Kalana Gold Mine and conduct regional exploration in the Kalana Permit area. The Ashanti-JCI Joint Venture undertook regional exploration, surface exploration for near surface mineralization and underground mapping and sampling between 1995 and 1996 in two phases of work.

Initial work by the Ashanti-JCI Joint Venture concentrated on an area encompassing the mine complex and the Kalana I open pit workings to the west of the No. 2 shaft. This exploration was aimed at assessing the oxide and supergene gold potential within the lateritic weathering profile, above the bedrock mineralization and underground workings, with a view to possible bulk mineable open pit operations.

A second phase of drilling was undertaken to examine the potential of the area 600 m to the east of the No. 1 shaft (called Kalana II) by reverse circulation ("RC") drilling and a north-south deformation corridor by diamond drilling. The north-south deformation corridor had been previously observed by the Ashanti-JCI Joint Venture in the underground workings. The Ashanti-JCI Joint Venture concluded that there was a strongly leached zone down to the upper saprolite and that there were no indications for substantial oxide mineralization. As the results of the exploration program did not meet with the Ashanti-JCI Joint Venture expectations for a bulk mineable open pit, the program was stopped in 1996.

2008/2009 Kalana Main Project

The objective of the Kalana Main Project is to (i) capture the very large geological database generated in paper form by SONAREM and into a digital database, (ii) re-interpret that data to assess the potential for gold mineralization outside of the flat dipping quartz vein structures mapped and assayed by SONAREM and SOGEMORK and (iii) optimise a future drill program to enhance the existing mineral resource base. These quartz vein structures host substantially all of the Kalana Gold Mine's mineral resources, reported in the 2005 Snowden Technical Report and filed on SEDAR. Avnel has continued underground exploration by development and diamond drilling and this data will be included in the database. Underground mining has exposed numerous quartz vein, stockworks and mineralization in the metasediments that had not been incorporated by SONAREM and SOGEMORK into their geological model of the deposit.

The SONAREM and SOGEMORK exploration in its first and most substantive phase aimed at establishing a high grade free milling gravity gold recoverable underground mine targeting a set of stacked, flatly dipping quartz veins that occur in and around a diorite stock. This has a number of implications in terms of the Russian exploration methodology, being:

- As the target was perceived by SONAREM and SOGEMORK to consist of flatly dipping veins, more than 98% of their drilling was vertical or sub-vertical. The Ashanti-JCI Joint Venture which studied the mine in 1995/1996 and the surrounding area also drilled predominantly vertical holes.

- With SONAREM and SOGEMORK's perception that only the high grade free milling quartz veins could be profitably mined, they analysed the quartz veins and their immediate hanging and foot walls with the result that only a portion of the core was analysed and incorporated into their geological model.

- All drilling by SONAREM and SOGEMORK was core drilling but the core was not kept, although it was meticulously logged. Ashanti drilled two twin holes (one vertical and one inclined) which had good correlation with the SONAREM and SOGEMORK holes that they twinned.

- As SONAREM and SOGEMORK were only targeting free milling gold, they neglected the oxide cap (except for the Kalana, I pit) potential for mineralization in the wallrocks with disseminated sulphides, stockworks and other quartz vein structures.

The focus of the Kalana Main Project is to study the potential for non-quartz vein hosted gold mineralization and explore the potential for the mining of the Kalana Gold Mine or parts of it either as an open pit or by underground bulk mining methods.

The first step in this project, for which a budget of $800,000 was allocated, is to electronically compile the entirety of the database to enable a geological re-interpretation to be conducted using modern data management methods.

The database compiled by SONAREM and SOGEMORK in respect of the Kalana underground mine alone is extensive and consists of in excess of 815 diamond drill holes (totalling 81,524 metres) in the first phase with a further 56 holes totalling 16,000 metres in the second phase testing the deeper parts of the underground mine.

At this stage no mineral resources have been outlined (in excess of those set out in the 2005 Snowden Technical Report referred to above) that demonstrate economic quantities of mineralization styles other

than the flatly dipping quartz veins and stockworks described in the 2005 Snowden Technical Report. However, the relatively widespread distribution of Au values outside and even away from quartz veins does raise the prospect of a re-evaluation of Kalana resulting in the delineation of a more extensive mineralized body. For example, underground Borehole H1, drilled from 100m Level and inclined at an angle of 75 degrees towards the southwest, passed through a zone with an average grade of 1.86g/t over 174.311m (corrected vertical interval of 168.37m). The majority of the quartz veins in this core had intersection angles in the range 40-65 degrees.

Although it is stressed that at this stage no volume can be attached to this single borehole and the orientation of the body is not known, it does illustrate the following *conceptual* points:

Management believes there is sufficient evidence to justify embarking on the Kalana Main Project to test for the existence of these disseminated and stockwork bodies. Additional benefits that will accrue from the project include:

- As the original data was available solely as paper copies, there is a risk that it could be damaged or lost. This project will ensure source documents are scanned and properly archived.
- This project will also benefit the existing operation in that it will produce a three dimensional digital model for the current operating mine area and may enable the identification of additional mineralization that is exploitable by the underground mine.

In September 2009 the Kalana Main Project was integrated into the Joint Venture with IAMGOLD. The data base was provided to IAMGOLD to incorporate in existing and future geological models.

Previous Mining Production

SOGEMORK

SOGEMORK undertook mining operations from 1985 to 1991 of the quartz veins in the Kalana Gold Mine underground workings and the Kalana I open pit working. A total of 227,000 tonnes of ore at a grade of approximately 13 g/t Au were mined by SOGEMORK between 1985 and 1991 to produce 81,800 ounces of gold at a recovery of 86%.

Previous Mining Production by SOMIKA in 2004

Mining operations were resumed by SOMIKA in January 2004. From January to December 2004, a total of 35,667 tonnes of ore at an average grade of 9.9 g/t Au was milled. From January to April 2004, ore was taken mainly from the mining of sweepings (material left behind by the SOGEMORK mining operation) and removal of pillars.

From May 2004, stope faces were established on Vein 3 and a winze was driven below the 290m level along Vein 1 in order to develop additional mining faces. Stope production from Vein 1 commenced in July when the winze holed into the 265m level. The expected increase in head grade was seen from July as the higher grade Vein 1 ore production started. In October 2004, there was a rock fall in the Vein 1 raise and stope production was stopped until a new raise was developed to access the stope faces in Vein 1. Mining was limited to the lower grade stopes in Vein 3 and lower grade ore development. Ore production from Vein 1 stopes recommenced in late December 2004.

Gold recovery increased steadily to 81% in October 2004. The increase in recovery was attributable to modifications in the plant circuit, improved operating experience and a higher head grade. The tails grade decreased from 3.5 g/t in March to 2.0 g/t by the fourth quarter of 2004. During October, November and

December, the mine reclaimed 4,606 tonnes of coarse sand at an average grade of 4.7 g/t with an estimated gold recovery of 50%, resulting in a lower recovery percentage.

Kalana II

Kalana II lies 600 m to the east of the underground mine and consists of stockwork mineralization related to the eastern lobe of the diorite stock. Mining has occurred at Kalana II as evidenced by a shallow 100 m by 150 m open pit. Avnel believes that artisanal mining was responsible for the workings.

Mining Reconciliation

Historical technical reports indicated that the production reconciliation during the SOGEMORK period of mining from 1982 to 1991 was "positive" (more gold was recovered than predicted from the underground operation). Snowden completed a reconciliation of predicted gold production (from the resource estimate) versus the estimated actual gold production for the period 1982 to 1991. This reconciliation indicates that approximately 30% more gold was produced than was predicted. This reflects the high nugget effect of the gold mineralization and the practice of capping high-grade intersections, but probably also includes a contribution from the wallrocks.

Snowden is of the opinion that more gold will be recovered during mining than is predicted by the resource estimates. This is because gold that occurs within the metasediments adjacent to the quartz veins was not always included during the sampling of diamond drill core by SONAREM and SOGEMORK. Additional minor quartz vein splays have been observed underground that also provide additional gold to that predicted.

Geological Setting

Regional Geology

The Kalana Gold Mine area lies along the western margin of the Bougouni "basin" toward the southern extremity of the Yanfolila-Kalana volcano-sedimentary belt. The Bougouni basin is a large Birmian time (2.2 Ga to 1.8 Ga) depository in south-western Mali, consisting of metamorphosed sedimentary and volcano sedimentary rocks. Volcanic rocks, primarily basalt, are found in small domains in the eastern and westerns parts of the basin, associated with faulting.

A large felsic intrusion, the Bougouni batholith, occupies the central part of the basin. Small intermediate intrusions, commonly diorite and granodiorite, are mainly found in the eastern part of the basin, as well as in the Kalana area.

All the rock types in the basin are cut by dolerite dykes that are dominated by easterly, north-easterly, and north north-westerly trends. These dykes are not observed at Kalana Gold Mine. Gold mineralization in the southern portion of the Bougouni basin appears to be controlled by basin-margin parallel faults that generally trend north-west to northerly. The eastern Bougouni basin margin, in the Sikasso area, is controlled by northerly and north-westerly striking faults and is host to the multi-million ounce gold deposits at Morila and Syama within the Morila-Syama Gold Belt.

Geology of the Kalana Gold Mine

Snowden describes the Kalana Gold Mine deposit as being hosted by metamorphosed sedimentary rocks of the lower part of the Upper Birimian Group. The metasediments consist of turbidite sandstone sequences with siltstone intercalations. The sandstone that makes up approximately 90% of the metasediments is fairly massive and medium grained. The siltstone is finely laminated and is locally graphitic. The Kalana Gold Mine is situated on the steeply dipping western limb of a regional syncline with folds plunging steeply to the north. Within the Kalana Gold Mine, a diorite stock that has been traced to a depth of 600 m intrudes the Birimian rocks and has itself been cut by a series of northeast to southwest trending faults. The intrusion is approximately 180 m by 250 m in size and is surrounded by a contact metamorphic aureole, up to 30 m wide.

Snowden considers steep reverse faults to be responsible for the tensional, en-echelon, stacked veins that host the mineralization at the mine. Minor reverse faults and shears are probably responsible for the "pinch and swell" nature of the mineralized quartz veins. The Kalana Gold Mine area is entirely covered by an extensive lateritic profile characteristic of the Guinea Savannah climatic zone and the depth of weathering ranges from 30 m to 130 m. Geophysical, geochemical and drilling techniques are required to aid in the definition of the bedrock geology, due to the lack of surface outcrop.

IAMGOLD have recently described the geology of Kalana as follows. The Kalana gold deposit is located in southern Mali near the Guinean border (West Africa). The area is underlain by the Baoule-Mossi Paleoproterozoic domain, composed of three principal Birimian-Eburnean litholigical and structural units covered easternmost and northernmost by Neoproterozoic sediments of the Taoudeni basin. The first unit is composed of a Birimian volcano-sedimentary series (dacitic-andesitic compositions) of the Yanfolila-Kalana and Bagoé basins intruded by (2) a younger granitic to monzogranitic suite of rocks (~2090Ma) and (3) a late dioritic-grandioritic intrusive event (~2075Ma) represented in the Yanfolila-Kalana area by local plugs and dykes at the Kalana and Kodieran gold deposits. These small mafic intrusions characterize late-Eburnean syn-shear (transcurrent deformation) calc-alkaline magmatism. At Kalana, mesothermal gold mineralization hosted mainly in quartz veins follows shallow dipping and vertical dykes adjacent to small intrusions emplaced in a sub-volcanic environment. The mafic intrusions played a key role as a source of heat flow driving the hydrothermal cell at the origin of local deuteric alteration and sulphide-carbonate metallotects (i.e. arsenopyrite, pyrrhotite, pyrite, chalocopyrite, ankerite and scheelite). Comparable intrusions at other gold deposits in southern Mali suggest that this late-orogenic igneous event corresponds to the major regional phase of Paleoproterozoic gold mineralization.

Exploration

SOMIKA has carried out geochemical soil sampling of the area around Kalana but not within the confines of the Kalana Gold Mine. However, within the Kalana Gold Mine, underground exploration drilling commenced in 2008 with the objective of providing additional information in the mine below the 150m level. All cores from these exploration holes have been sampled over 1m lengths and assayed over the entire length of the hole. Assays have shown that gold mineralization exists outside the quartz veins in the metasediments. The gold occurs in association with pyrites and arseno-pyrite disseminated within the metasediments, as well as with stockworks of quartz veinlets and narrow quartz veins.

Highlights include:

Hole H1: 4.5g/t over 35m, 2.2g/t over 15m and 3.5g/t over 30m

Hole H2: 1.7g/t over 16m

Hole H3: 1.5g/t over 7.5m; 4.3g/t over 6.7m

Hole H4: 3.1gt over 12.7m

Mineralization

The Kalana gold mineralization, as mined at the Kalana Gold Mine, occurs within a stacked set of quartz veins and stockworks hosted by the Birimian age metasediments, and the intrusive diorite stock and trend northwest-southeast. The mineralized vein system extends over an area of about 600 m east by 700 m north and current exploration information suggests it to be restricted to a block bound by northwest and northeast trending faults. Mineralization has been identified by diamond drilling from surface down to a depth of 600 m, the limit of the diamond drilling. Snowden reports there is no reason to suspect mineralization does not continue with depth. **It should be noted that this describes the current mineralization being mined and not the potential lower grade mineralization that is now being identified by underground diamond drilling and development.**

The Kalana Gold Mine contains at least 26 mineralized bodies that have been divided into four main ore-body types:

1. Flat dipping (an average dip of less than 25 degrees) quartz veins and vein sets in the metasediments and diorite stock;
2. Steeply dipping quartz veins and vein zones;
3. Disseminated ores; and
4. Stockwork mineralization at the contact of the diorite.

Flat Dipping Veins

The mineralized flat dipping quartz veins account for approximately 80% of the mineral resource at Kalana. Generally these veins are controlled within a system of sub-parallel en-echelon fractures that dip predominantly to the north-northeast. These quartz veins pinch and swell significantly, but the average vein thicknesses range from 0.1 m to more than 3.0 m. Many of the veins subdivide and the connectivity between borehole intersections is not always obvious.

The majority of the gold in the quartz veins is present as coarse, grains or nuggets of free gold with the gold occurring as grains and small nuggets. Fine grained gold is also associated with sulphides in the quartz veins, as well as in the metasedimentary and diorite wall rocks immediately adjacent to the quartz veins.

The quartz veins form bodies that are relatively easily identified either in diamond drill core, or in underground exposures. However, the footwall and hangingwall of the mining horizon is based on an assayed grade cut-off that is not obvious to the eye underground and not defined by the edge of the vein. Results of underground face sampling have indicated good mineralization in the footwall and hangingwall of the quartz veins. Vein 1 is the largest example of the flat dipping veins and is typical of this style.

Steep Dipping Veins

The steep dipping veins appear to be northwest-southeast oriented. Snowden notes that they are not significantly large sources of gold mineralization, although grades as high as 12 g/t Au over 0.5 m have been intersected, and due to lack of drillhole information, are not included in the resource.

Stockwork Mineralization

The best developed stockwork mineralized zones are developed at the contact of the flat vein systems and sediments with the diorite. The stockwork mineralization accounts for 20% of the resource tonnage and consists of a zone of thin branching veins that cannot be mined individually. The stockwork zones are lower grade (being 3 to 5 g/t Au) than the flat dipping quartz veins and due to the lower grade are probably less suited to underground mining than an open pit.

Drilling

Geological data consists of information derived from exploration programs conducted by SOGEMORK and the Ashanti-JCI Joint Venture and consists of diamond drilling, RC percussion drilling and underground channel face sampling. The majority of the diamond drilling was vertical and hence the majority of the sample lengths are vertical and not the true width of the quartz veins. The flat dipping quartz veins dip at less than 25 degrees and the true widths of the mineralized quartz veins will be approximately 10% less than the vertical intersection widths.

SOMIKA has conducted some underground diamond drilling within the Kalana Gold Mine to assist in mine planning and mineral resource definition.

During 2008, 4,363m of AQ core drilling was completed. The information from these holes is used to guide mine development and stoping operations. Where appropriate the information is used for resource estimates. A new hydraulic diamond drill was commissioned in mid 2008 and 1,245m of BQ core drilling was completed during 2008. The drilling focused on providing additional drill intersections on Veins No. 1, No. 18 and No.19 below the 150m level. This information will be used to review mineral resources and assess the potential mineralization outside of the quartz veins.

Sampling Method and Approach

Core recovery is documented in the drill hole logs and it was noted by Snowden that core recovery was quite variable, particularly in the ore zone. This is not surprising given the fractured nature of the mineralized zones and the brittle nature of the quartz veins. The loss of core in the mineralized zone is considered to result in gold being lost during the coring rather than gold being concentrated in the recovered core. It is not uncommon for drilling by diamond drill to underreport gold mineralization due to core loss. While the evidence for low core recovery may indicate a problem, it is not considered to be a serious flaw in the resource estimation. SOMIKA currently logs its drill core and records geological structure, rock type, mineralisation and assay values. Recovery is also documented in the core logs that have been entered into an electronic data base.

SOMIKA conducts chip sampling on the working faces. The face samples are taken by chipping samples in a 30 cm wide channel perpendicular to the dip of the quartz vein at 10 m intervals and restricted to one lithological type per sample. Samples are taken with a maximum length of 0.5 m, so if the quartz vein is thicker than 0.5 m more than one sample is taken. Samples are also taken in the hangingwall and footwall, from the quartz vein up to the limit of the hanging wall and down to the footwall base of the stope. Intervals for sampling were selected according to lithological boundaries with only selected parts of the core outside the quartz veins (with apparent high gold grades) being sampled for assay by SOGEMORK. Sample lengths varied from 0.1 m where visible gold was observed up to 2 m. In some instances, two sides of the core were sampled and the results averaged.

No information is available related to the sampling methods used for the diamond drilling core or RC drilling by SOGEMORK or the Ashanti-JCI Joint Venture.

Sample Preparation, Analyses and Security

Underground face samples are analysed by an on-site laboratory that is sub-contracted to SGS Analabs. The laboratory is not certified, but uses analytical and quality control procedures as prescribed by SGS Analabs. Samples are fire assayed for gold using a 50 g sub-sample and the gold content is determined by dissolving the fire assay bead in a mixture of acids and measuring the gold content by using an atomic absorption spectrometer.

Diamond drilling information from the SOGEMORK drilling programs (1967 to 1982 and 1989 to 1991) totalling approximately 97,000 m is available in the original hand-written logs and is presented on sections and plans. The logging has been done in detail. No information regarding the sample preparation, analysis and security of the SOGEMORK diamond drilling was available for review. Snowden is also unaware of any independent checks of assays that were carried out on the SOGEMORK exploration data.

The diamond drilling information is used in the resource estimation of the underground and the Kalana I and III open pits. A total of 4,054 m of RC drilling in 52 drill holes was completed by the Ashanti-JCI Joint Venture on the Kalana I and II open pit areas. The RC information was used to estimate the resource for the Kalana II open pit area by Snowden in 1997.

Snowden considers that the sampling, sample preparation and data collection by SOGEMORK has been carried out in an acceptable and systematic manner. Due to insufficient documentation, Snowden cannot comment on the sampling and sample preparation carried out by the Ashanti-JCI Joint Venture.

Data Verification

Snowden reviewed the underground face sampling at the Kalana Gold Mine and has concluded that the method is acceptable for mine planning and estimation of measured mineral resources. The face sampling database appears to be well maintained and will prove useful in the future for grade control, production reconciliation and top-cut determination.

The laboratory has procedures for checking for contamination, accuracy and precision of the analytical process. Contamination is checked by introducing one blank sample per day into the sample stream. Accuracy is controlled by performing a duplicate analysis at a ratio of one duplicate sample per five original samples. The precision of the analytical technique is checked by the insertion of a Certified Reference Material (Rocklabs OXH19) at a ratio of one to five. The quality control ("QC") data is monitored on control charts and if contamination, accuracy or precision deviations are noted, the batch is re-assayed.

The Kalana Gold Mine did not monitor the laboratory for contamination, accuracy or precision. Snowden has recommended that Kalana Gold Mine staff carry out ongoing independent quality control on the assaying completed at the laboratory to ensure that any assays errors are corrected timeously. SOMIKA has monitored the quality control on the assaying by the SGS Analabs laboratory in accordance with this recommendation.

Mineral Processing and Metallurgical Testing

In 2004 and 2005, metallurgical test programs were undertaken to evaluate the potential to increase gold recovery. The Kalana Gold Mine is exceptional in the quantity of coarse gold that can be recovered by gravity. The coarse gold is associated mainly with the quartz veins. Gold is also contained in arsenopyrite which cannot be extracted by gravity methods. The test program aimed to recover the gold in the arsenopyrite currently being sent to the tailings dam.

The test program was designed to confirm the applicability of flotation as a cost effective method of significantly improving gold recoveries using a combination of flotation and CIL on an upgraded flotation concentrate, which results in a much reduced size of CIL plant and capital cost.

The tests showed that a sulphide concentrate of 5% to 10% of the ore feed, 60,000tpa, can be produced with gold recoveries from the concentrate being 80% after cyanide leaching. Due to the low mass of concentrate, 3000 to 6000 tpa, the size of the leach circuit is small and could be located inside the existing building.

By implementing this process change, management of Avnel anticipates that gold recoveries in excess of 90% can be achieved compared to the initial predicted 79% at a head grade of 14g/t and a mill tonnage of 60,000tpa. Given the high gold recoveries achieved in 2007 and 2008, it is probable that it will not be economic to construct a float plant. However, flotation would be necessary if the mine was to exploit lower grade veins/stockworks where the percentage of gravity recoverable gold reduced significantly.

SOMIKA is now investigating the potential to utilise a small high pressure leach process to recover the gold from the sulphide concentrate. It is expected that gold recovery may be higher than the cyanide leach of the concentrate. This process may have environmental advantages as the arsenic can be converted into a stable form. A test program commenced in 2007 to evaluate this option and it was concluded that it is technically viable. Further test work is required to provide design data**.**

Mineral Resource and Mineral Reserve Estimates

Mineral Resources

Introduction

Mineral resources at the Kalana Gold Mine have been estimated in compliance with CIM Standards of Mineral Resources and Reserves (CIM, 2000). The tonnage of the underground and open pit resources have been estimated using polygonal interpretation within a horizontal projection of each vein. The areal extent of the resource blocks were defined by using a cut-off of 7.0 metre-grams, equivalent to 3.5 g/t Au over a 2 m thickness, using the drill hole information, i.e. the block did not include a drill-hole with an intersection below 7.0 metre-grams. The grade of the resource blocks was estimated by calculating the length weighted average grades of the intersections (after top-cutting) for the vein within the block. Where sampling data from mining was available, the tonnes and grade of the resource block have been estimated using this data.

2004 Classified Mineral Resource Estimates from Snowden

In July 2004, Snowden undertook a review of the Kalana Gold Mine resource estimate completed by Snowden in 1997. The June 2004 resource estimate is presented in accordance with National Instrument

43-101 and set out in detail in the 2005 Snowden Technical Report. The resource was classified as follows:

- *Measured resources*. Where the quartz veins have been opened by mining (Veins 1 and 3) and face or pit sampling is available for grade and thickness estimation, grade and tonnage can be estimated with a high level of confidence. Geological and grade continuity is confirmed;

- *Indicated resources*. The drill spacing by SOGEMORK is generally about 50 m by 50 m and Snowden considers this close spacing to be adequate to estimate grade, thickness and tonnage with a reasonable level of confidence for this type of deposit (Veins 1, 3, and 14 to 21). Continuity of mineralization, grade and structure is assumed; and

- *Inferred resources.* The two deep veins (Veins 22 and 23), plus the stockwork from 240 m to 265 m has a drillhole spacing greater than 75 m by 75 m, as the majority of the drilling has stopped short, and are classified as inferred resources. The tonnage and grade are estimated at a low level of confidence, and the geological and grade continuity are inferred.

The classified mineral resource for measured and indicated categories for 2004 is summarized in the tables below.

Table 1: Kalana Gold Mine Measured and Indicated Resource — June 2004

Category	Zone	Tonnes	Au (g/t)	Au (1000 oz)
Underground				
Measured	Veins (1 and 3)	111,800	19.6	70
Indicated	Veins (1, 3, 14 to 21) and Stockwork	1,828,200	12.7	744
Total Underground		**1,940,000**	**13.1**	**814**
Open Pit				
Indicated	Veins (1, 2, 3, 18 and 19) and Stockwork	863,600	6.8	190
Total Open Pit		**863,600**	**6.8**	**190**
Total Tailings and Sand Stockpiles		**243,800**	**2.0**	**16**
Total Underground, Open Pit And Tailings		**3,047,400**	**10.4**	**1,020**

Table 2: Kalana Gold Mine Inferred Resource — June 2004

Category	Zone	Tonnes	Au (g/t)	Au (1000 oz)
Underground				
Inferred	Veins (22 and 23) and Stockwork	429,000	6.2	85
Open Pit				
Inferred	Veins (22 and 23) and Stockwork	1,832,000	2.8	164
Total Inferred		**2,261,000**	**3.4**	**249**

Table 3: Kalana Gold Mine Total Resource — June 2004

Category	Tonnes	Au (g/t)	Au (1000 oz)
Measured	355,600	7.5	86
Indicated	2,691,800	10.8	934
Total Measured plus Indicated	**3,047,400**	**10.4**	**1,020**
Inferred	2,261,000	3.4	249

2008 Classified Mineral Resource Estimates from the Company

SOMIKA updated the mineral resources at December 2008. The resource estimates are categorized in accordance with the standards prescribed by National Instrument 43-101 and were prepared under the supervision of Roy Meade, the then Chief Executive Officer and Director of the Company, and a "Qualified Person" as defined in National Instrument 43-101. The classified mineral resource for measured and indicated resources for 2008 is set out in the following table.

Table 4: Kalana Gold Mine Classified Resource Estimate – December 2008

Category	Tonnes	Au (g/t)	Au (1000 oz)
Underground			
Underground Veins: **Measured**	113,000	17.8	64
Underground Veins: **Indicated**	1,649,000	10.4	553
Underground Veins: Total Measured & Indicated	1,761,000	10.9	617
Underground Stockwork: Indicated	310,500	4.25	42
Underground: Inferred	429,000	6.2	85
Surface Tailings			
Surface Tailings: **Measured**	399,000	2.05	26
Surface Open Pit			
Surface Open Pit: **Indicated**	872,600	7.12	200
Surface Open Pit: **Inferred**	1,842,600	2.90	172
Total Measured And Indicated	**3,334,000**	**8.24**	**886**
Total Inferred	**2,271,600**	**3.52**	**257**

The differences from the 2005 Snowden Technical Report estimate of the Kalana Gold Mine Total Resource in Table 3 compared to the above are mainly due to depletion of reserves by mining and

increase in tonnage due to a reduction in pay back. The depleted mineral reserves have been defined by Roy Meade, an Executive Director of the company and a "Qualified Person" as defined in National Instrument 43-101.

During 2008 diamond drilling and development on 150m and 180m levels have exposed Vein 17 and Vein 18. This has indicated that:

- Vein 18 between 150m and 180m level is structurally more complex than the model based on surface drill holes. There appears to have been faulting that has reduced the interpreted continuity between surface boreholes. This resulted in a significant decrease in the mineral resource estimate for Vein 18. In addition the high grade mineral resource estimate of 41g/t over a channel width of 1.28m has not been shown by diamond drilling and ore raise development to date. The actual channel width is significantly less at approximately 0.3m

- However, development has exposed a quartz vein named Vein 18C that was not included in the mineral resource. This vein was intersected by surface drill holes and was interpreted to be part of the Vein 18 mineral resource. Vein 18C has been exposed between 180m and 140m level and has been extensively mined during 2008. This vein has also been developed 60m west of a major north-south fault that was interpreted to cut off mineralization. This has been added to the mineral resources as this area was previously excluded from the mineral resource statement for all veins.

- Vein 17 between 110m and 150m level has been exposed by underground drilling and development. The mineral resource was estimated as having an average 10.6g/t over 1.57m. Mining has commenced from Vein 17 and the grade is approximately 19g/t over 1.6m. It is expected that the contained ounces in Vein 17 will double compared to the mineral resource estimate.

SOMIKA has commenced a major surface diamond drill program in 2010. The results of these holes will be integrated with the existing data base (see Kalana Main Project) and the geological model will be reviewed. It is anticipated that additional gold resources will be defined outside the current high grade, narrow quartz veins. During 2009 approximately 20,000 ounces were mined from the December 2008 Mineral Resources. During 2011 approximately 10,000 ounces were mined from the December 2008 Mineral Resources.

During 2010 a major surface exploration drill program was carried out and will continue during 2011. The work is being carried out as part of a Joint Venture with IAMGOLD as described elsewhere in this AIF. IAMGOLD expect to prepare a resource study by the second quarter of 2012.

Mineral Reserves

Introduction

Mineral reserve estimates are derived from the mineral resources by applying mining, metallurgical, economic, legal, environmental, social and governmental factors. The classification of reserves has been based on the resource category and the level of detail (degree of confidence) that resources have been planned for extraction as part of the Kalana Gold Mine's business plan, and hence classified as a reserve. All reserves reported for 2004 within the mineral reserve statement are included within the quoted mineral resource statement at Table 3 above.

2004 Classified Mineral Reserve Estimates from Snowden

The classified mineral reserves for proved and probable reserves as of June 2004 for both the sand tailings and underground mineralization is summarized in Table 6 and Table 7 below and are presented in accordance with the standards prescribed in National Instrument 43-101. The underground mineral reserve statement has been depleted to account for the mining that took place between the date of the detailed resource and reserve statement and the end of 2004. As a result, Snowden was able to provide a reserve estimate for December 2004 (also contained in Table 6 below).

There are no plans to mine blocks of ground with grades below the operational cut-off of 7.2 g/t Au in the current 10 year business plan. Snowden, however, noted an exception in Vein 3 where the predicted resource block head grade is less than the cut-off grade and this was included in the mineral reserves for the following reasons:

- mining was taking place in these areas at the time of Snowden's site visit;
- limited face availability in other veins prompted mining in Vein 3 as part of the trial mining and worker training program;
- sampled grades on the face, after the estimation of the resource, were substantially higher (11.5 g/t for the mining width) than the predicted average block grades. Short-term variations can be expected due to the high nugget effect within the mineralized zones; and
- routine sampling would ensure that ROM grades would remain at payable levels and selective mining would be practised to accommodate grade variations.

Table 5: Underground Mineral Reserves – June 2004

Category	Vein	Reserves (tonnes)	Head grade (g/t)	Contained Au (oz)
Proved Reserves	Vein 1	76,800	15.2	37,420
	Vein 3	9,400	3.7	1,110
	Sub-total	86,200	13.9	38,530
Probable Reserves	Vein 1	71,100	7.9	18,090
	Vein 18	252,700	20.6	167,620
	Vein 18a	70,100	13.9	31,360
	Vein 19	105,100	20.2	68,170
	Vein 19a	31,800	11.3	11,610
	Vein 20	172,500	8.4	46,600
	Vein 21	178,000	9.9	56,940
	Sub-total	881,300	14.1	400,390
Total Reserves		**967,500**	**14.1**	**438,920**

Table 6: Coarse sand tailings Reserves — June 2004

Proved Reserves	Reserves (tonnes)	Grade (g/t)	Contained Au (oz)
Sand Stockpile 1	8,200	5.6	1,420
Sand Stockpile 2	1,600	2.3	114
Total	**9,800**	**5.0**	**1,534**

2007 Classified Mineral Reserve Estimates from the Company

The classified mineral reserves for proved and probable reserves as of December 2007 for underground mineralization, as prepared by the Company, is summarized in Table 7 below and are presented in accordance with the standards prescribed in National Instrument 43-101 and were prepared under the supervision of Roy Meade, the then Chief Executive Officer and Director of the Company, and a "Qualified Person" as defined in National Instrument 43-101.

Table 7: Kalana Gold Mine Classified Reserve Estimate – December 2007

Category	Reserve (tonnes)	Head Grade (g/t)	Contained Au (ozs)	Recovery (%)	Recovered Au (oz)
Proved – underground	51,000	13.43	22,000	90	20,000
Probable – underground	611,000	16.25	319,000	90	287,000
Total Reserves	**662,000**	**16.03**	**341,000**	**90**	**307,000**

The differences from the 2005 Snowden Technical Report estimate of the Kalana Gold Mine Total Reserve in Table 5 compared to the above are mainly due to depletion of reserves by mining.

2008 Classified Mineral Reserve Estimates from the Company

SOMIKA has estimated the mineral reserves available for mining from the existing mine infrastructure. The current mine infrastructure allows for accessing the reserves above the 180m level. The remaining mineral reserves as classified in December 2008 are located between the 180m and 300m levels. To access these mineral reserves, it was planned to sink No. 1 Shaft from 100m level to 310m level and install the required hoisting, water pumping and ventilation infrastructure. This mine plan has now been reviewed in line with the Company strategy to implement the Kalana Main Project. As the Company will also be assessing the feasibility of exploiting the known open pit mineral resources, the development of the mineral resources below 180m level will be delayed. The December 2008 mineral reserve statement was modified to exclude approximately 237,000 ounces between 180m and 300m levels that was previously included in the mineral reserves to reflect this alternative strategy. The classified mineral reserves for proved and probable reserves as of December 2007 for underground mineralization, as prepared by the Company, are summarized in Table 8 below and are presented in accordance with the standards prescribed in National Instrument 43-101 and were prepared under the supervision of Roy

Meade, the then Chief Executive Officer and Director of the Company, and a "Qualified Person" as defined in National Instrument 43-101.

Table 8: Kalana Gold Mine Classified Reserve Estimate – December 2008

Category	Reserve (tonnes)	Head Grade (g/t)	Contained Au (ozs)	Recovery (%)	Recovered Au (oz)
Proved – underground	93,000	13.56	41,000	90	37,000
Probable – underground	30,000	11.67	11,000	90	10,000
Total Reserves	**123,000**	**13.1**	**52,000**	**90**	**47,000**

The current plant capacity is 60,000 tonnes per annum and the mine life would be approximately two years to exploit the remaining 120,000 tonnes from existing infrastructure. The underground mineral reserves are estimated at 123,000 tonnes at 13.6g/t containing 52,000 ounces of which 90% or 47,000 ounces will be recovered at a gravity plant. A long term gold price of $800 per ounce was used and the pay limit grade is 10.9g/t.

2009 Classified Mineral Reserve Estimates from the Company

The Company has classified the mineral reserves in two areas. The first is the reserves that can be mined from the existing infrastructure down to the 180m elevation. The second area is the reserves that can be mined from the mineral resources between the 180m and 300m elevations. In December 2008 the company excluded these reserves from the mineral reserve statement on the basis of a change in strategy to implement the Kalana Main Project. These mineral reserves may still be mined as previously planned in the 2005 feasibility study and the Company has decided to include the mineral reserves between 180m and 300m elevation in the December 2009 Reserve Estimates.

As described in this Annual Information Form, the Company has decided to optimise the potential of the Kalana Gold Mine by further exploration drilling that may lead to a large, bulk mining operation. Underground development and diamond drilling has shown that gold mineralization occurs outside of the narrow, high grade quartz veins that make up the majority of the underground mineral resources as defined in 2004 by Snowden. The Kalana Main Project seeks to evaluate this potential to increase mineral resources to enhance the economics of the Kalana Gold Mine. On completion of this program, the existing mineral reserves between 180m and 300m elevation may be exploited as originally planned by deepening No 1 Shaft or by a bulk mining method. The classified mineral reserves for proved and probable reserves as of December 2009 for underground mineralization, as prepared by the Company, are summarized in Table 9 below and are presented in accordance with the standards prescribed in National Instrument 43-101 and were prepared under the supervision of Roy Meade, an Executive Director of the Company, and a "Qualified Person" as defined in National Instrument 43-101.

Table 9: Kalana Gold Mine Classified Reserve Estimate – December 2009

Category	Tonnes	Grade	Contained Ozs	% Recovery	Recovered Ozs
Existing Infrastructure					
Proven-underground	7,000	12.8	3,000	86	2,000
Probable-underground	17,000	10.4	6,000	86	5,000
Sub Total	24,000	11.2	9,000	86	7,000
180-300m elevation					
Probable	395,000	14.5	184,000	86	158,000
Total	**419,000**	**14.3**	**193,000**	**86**	**165,000**

The differences from the 2005 Snowden Technical Report estimate of the Kalana Gold Mine Total Reserve in Table 5 compared to the above are mainly due to depletion of reserves by mining.

The mineral reserves are contained in six quartz veins located between 100m and 200m below surface. These veins are located north and south of the No. 1 and No. 2 shafts. The veins are narrow, with an average diluted mining width of 1.6m, and generally shallow dipping. The veins are sub-parallel and are stacked one above the other, approximately on average 30m apart.

Vein 17 has been extensively mined out between the two major north-south faults. Development east of the fault has exposed Vein 17, down thrown 9m by the fault. It has been assumed that Vein 17 will continue for 30m east of the fault. This area has been included in Probable Reserves.

Veins 19C, 20C and 21C on 180m level have been exposed by development. It has been assumed that the veins will continue for 20m beyond the ore development and 2,500 tonnes from these areas have been included as Probable Reserves.

It is possible that Vein 17 will extend east beyond the probable reserve and Vein 20C will extend down dip below 180m level beyond the planned mining reserve. Development in quarter 1 will provide new information.

The Kalana Gold Mine design includes pillars for rock support. The mineral reserves were reduced by 20% to allow for permanent pillars and possible mining losses. Mining experience during 2009 indicates this planned 20% pillar loss continues to be a realistic estimate.

There is significant potential to increase mineral reserves by:

- converting indicated and inferred mineral resources to be exploited by open pit mining following surface drilling;
- converting indicated mineral resources into reserves by future diamond drilling and mine development;
- increasing mineral resource and mineral reserve grades as the grades have been historically undervalued; and

- converting inferred mineral resources into indicated mineral resources and mineral reserves by diamond drilling, development and capital expenditure to mine down 300 metres below surface.

2010 Classified Mineral Reserve Estimates from the Company

The Company has classified the mineral reserves in two areas. The first is the reserves that can be mined from the existing infrastructure down to the 180m elevation. The second area is the reserves that can be mined from the mineral resources between the 180m and 300m elevations.

In December 2008 the company excluded these reserves from the mineral reserve statement on the basis of a change in strategy to implement the Kalana Main Project. These mineral reserves may still be mined as previously planned in the 2005 feasibility study and the Company has decided to include the mineral reserves between 180m and 300m elevation in the December 2010 Reserve Estimates.

As described in this Annual Information Form, the Company has decided to optimise the potential of the Kalana Gold Mine by further exploration drilling that may lead to a large, bulk mining operation. Underground development and diamond drilling has shown that gold mineralization occurs outside of the narrow, high grade quartz veins that make up the majority of the underground mineral resources as defined in 2004 by Snowden. The Kalana Main Project seeks to evaluate this potential to increase mineral resources to enhance the economics of the Kalana Gold Mine. On completion of this program, the existing mineral reserves between 180m and 300m elevation may be exploited as originally planned by deepening No 1 Shaft or by a bulk mining method. The classified mineral reserves for proved and probable reserves as of December 2010 for underground mineralization, as prepared by the Company, are summarized in Table 9 below and are presented in accordance with the standards prescribed in National Instrument 43-101 and were prepared under the supervision of Roy Meade, an Executive Director of the Company, and a "Qualified Person" as defined in National Instrument 43-101.

Table 9: Kalana Gold Mine Classified Reserve Estimate – December 2010

Category	Tonnes	Grade	Contained Ozs	% Recovery	Recovered Ozs
Existing Infrastructure					
Proven-underground	Nil	Nil	Nil	Nil	Nil
Probable-underground	41,000	6.6	8,800	84	7,000
Sub Total	41,000	6.6	8,800	84	7,000
180-300m elevation					
Probable	395,000	14.5	184,000	86	158,000
Total	**436,000**	**13.8**	**193,000**	**86**	**165,000**

The mineral reserves are contained in seven quartz veins located between 100m and 300m below surface. These veins are located north and south of the No. 1 and No. 2 shafts. The veins are narrow, with an average diluted mining width of 1.6m, and generally shallow dipping. The veins are sub-parallel and are stacked one above the other, approximately on average 30m apart.

The reserves that can be mined from existing infrastructure are mainly from Veins 17, 18 and 20. These will be mined during 2011. During 2010 development increased the Vein 17 reserve to the east and down dip from 150m elevation. New development during 2011 may increase the mineable reserves as occurred during 2010 when mining exceeded the planned reserve at December 2009. The reserve planned to be mined in 2011 is based on a gold price of $1,350 per ounce.

Mineral Reserve Depletion

The underground mineral reserves in December 2004 were 951,300 tonnes at a grade of 14.2 g/t Au containing 435,010 ounces. The December 2005 statement shows a small reduction of approximately 15,000 tonnes or 1.5% and 7,000 ounces.

During 2005, approximately 30,000 tonnes were mined underground although the ore reserves show a depletion of 15,000 tonnes. This is explained by ore being mined from areas not included in the ore reserves. Approximately 7,000 tonnes were mined from old mining areas that were not included in the ore reserves. In addition, 7,000 tonnes were mined from an extension of the Vein 1 11 B (C1) ore reserve block to the west that was not included in the ore reserve for this block.

During 2006, 24,400 tonnes were mined at a grade of 29.44g/t containing 23,000 ounces. The majority of the ore was mined from Vein 1 ore reserve block. Ore was also mined from Vein 5 which was not included in the mineral resources and mineral reserves.

The underground mineral reserves in December 2006 were 705,000 tonnes at a grade of 16.8g/t containing 381,000 ounces.

The current strategy is to seek to exploit the existing mineral resources by bulk mining, initially by open pit and then by underground mining.

The mineral reserve depletion and reclassification during 2008 is due to (a) mining in 2008 (16,000 ounces and 27,000 tonnes), (b) reduction in tonnes and grade of Vein 18 between 150m and 180m level, (c) an increase in tonnes and ounces in Vein 18C and (d) the removal of reserves between 180m and 300m levels due to a change in a future mine plan 11,000 tonnes were mined from Vein 18C that was not in the mineral reserve.

Block Factor

The comparison between forecast reserve grades (gold content) and that actually achieved is called a Block Factor. Reconciliation of the reserve blocks mined by SOGEMORK between 1985 and 1991 show a Block Factor of approximately 130%. In other words, 30% more gold was mined and recovered compared to the reserve calculation based on the drill hole intersections. It is possible that this trend may continue but the Snowden 2004 mineral reserve did not assume this in the reserve statement.

2005

SOMIKA has reviewed the mining results compared to the reserve estimate at December 2004. The main ore reserve block mined in 2005 was Vein 1 Block 11 B (C1). This is in the proven category. The block factor for 2005 was 134% on tonnes and 178% on contained gold. The higher tonnes were mined from an extension of the Vein outside the anticipated limit of the Vein. The higher gold content was due to the increased tonnes and a higher grade (19.15 g/t compared to the reserve grade of 14.4 g/t).

2006

During 2006, 20,000 tonnes were mined from Vein 1 Block 11 B (C1). The average mining grade was 33.96g/t. The gold from the mined block contained 55% more gold than the forecast based on the adjusted higher grades (average 19.15g/t) in the December 2005 mineral reserves. Compared to the December 2004 mineral reserve grade (14.4g/t), the contained gold was 138% more than forecast.

The Block factor for 2006 was 155% of the December 2004 reserves for the mineral reserve block mined. If compared to the December 2003 reserves, the block factor was 238%.

2007

During 2007, 15,400 tonnes were mined from Vein 1 Block 11 B (C1). The average mining grade was 32.0g/t. The actual gold in this block contained 97% of the reserve ounces. The Block Factor for 2007 was 97%.

2008

During 2008, 15,700 tonnes were mined from Vein 17 at a mining grade of 20.8g/t. The December 2006 mineral reserve for this block was 55,000 tonnes at 8.8g/t. During 2008, mining from Vein 1 C1 (B1 and B2) was in line with forecast grades. However, the extension of the Vein 1 B3 generated additional tonnes at a lower grade of 11.0g/t compared to the reserve grade of 21.0g/t. Overall, the contained gold was in line with the block reserve.

Historic Block Factor for Vein 1 Block 11 B (C1)

The December 2004 mineral reserves for Vein 1 Block 11 B (C1) showed 48,000 tonnes containing 21,500 ounces. For the period January 2005 to December 2008, 65,000 tonnes containing 54,000 ounces have been mined from this block.

SOMIKA has decided not to apply a Block Factor to the probable mineral reserve blocks until they are exposed by development or new diamond drilling. At that time, SOMIKA may have sufficient data to apply a positive Block factor to the remaining mineral reserves.

Mining Operations

The Kalana Gold Mine recommenced production in January 2004. Gold production to date is shown in the following table.

Table 10: Kalana Gold Mine Production for 2004 to 2010

	Tonnes Milled	Grade g/t	Recovered Gold ozs	Recovery (%)
2004	35,667	9.4	7,396	69
2005	34,885	15.5	14,923	86
2006	27,743	28.16	22,638	90
2007	35,222	24.21	25,359	92
2008	48,262	15.70	21,407	88
2009	49,348	12.08	16,677	87
2010	**50,238**	**7.71**	**11,233**	**86**

Notes:

(1) In 2004 4,604 tonnes of coarse sand at 4.7 g/t are included in the total production.
(2) In 2005 4,614 tonnes of coarse sand at 4.9 g/t are included in the total production.

(3) In 2006 3,627 tonnes of coarse sand at 5.8 g/t are included in the total production.

Mine Layout and Design

Level development is established from the shafts to access the ore bodies. Drives are developed within the ore body to expose the mineralization on strike. Raises and winzes are then developed to expose the dip extent of the mining blocks. Each block of ground, delineated by the planned production from a single raiseline, is referred to as a stope. Individual panels are established from the raiseline at no more than 30 m face lengths and mined on strike to the midpoint between raiselines.

Systematic pillars will be left to provide roof support leading to a loss of approximately 10% when converting resources into reserves. The Kalana Gold Mine is fully developed to 100m level. The majority of ore above 100m level was planned for extraction during 2004. The upper most extent of the planned underground mining is to 85m level, above which the ground is considered too unstable for underground mining and has been reserved for open pit mining. To enable mining to continue uninterrupted, a sub incline shaft was developed during 2004 and 2005 to access ore reserves to be mined. The shaft was commissioned in 2006 and used for production until December 2007.

Approximately 60% of the ore reserve to be mined in the current mine plan is located to the north of the existing underground infrastructure and between the 295m and 100m levels. The ore between 100m and 180m levels will be accessed from the No. 2 shaft. The shaft will be deepened and two additional levels (150m and 180m) will be established.

Mining Method

Stoping operations are conducted with conventional pneumatic handheld rockdrills with airlegs. Blasted rock is scraped (with a 35 kW face winch) from the working face into strike gullies located at the bottom of each panel. A larger, 55 kW, gully winch is then used to scrape the ore along the gullies. This ore is scraped directly into the hoppers via a chute arrangement, referred to as a “chinaman chute”. The 1.2 tonne hoppers are trammed with 3.0 tonne battery locomotives to the shaft. Production blasts produce a 0.9 m to 1.0 m face advance.

Level development is conducted with a similar system as the stoping. The planned advance is 1.5 m per blast. Blasted rock is loaded using pneumatic overhead loaders which load directly into the same hoppers and trammed to the shaft.

All level transport is rail bound. The Kalana Gold Mine does not currently have a shaft orepass system at the No. 1 shaft. The hoppers are guided to the shaft and manually tipped to discharge directly into kibbles (via a chute system) for hoisting to the surface. Ore passes have been developed in 2007 as part of the No. 2 shaft infrastructure. Rock is now trammed by locomotive to the No. 2 shaft and tipped into a small storage bin before being hoisted in a skip to surface.

Geotechnical Design

Based on previous and more recent underground observations, the base of oxidation appears to vary between 100m level and 85m level. No underground mining operations are planned above 70m level. Ground conditions generally appear good below the weathered zones, with competent ground and limited need for systematic support in development ends.

Large exposed spans underground will require systematic support. In-stope support generally consists of wedged timber props and timber packs. The use of in-stope pillars formed part of a detailed geotechnical investigation, following which SOMIKA reported that it began implementing such pillars as part of their

support system. The report design recommends the use of systematic pillars based on the geotechnical and rock strength conditions. SOMIKA has implemented the recommendations for room and pillar mining.

Drives developed in the orebody require stability pillars up dip and down dip until stoping has been completed. Subsequent extraction of these pillars is possible (at least in part) but has not been planned.

Utilities

Power

Power is supplied to the Kalana Gold Mine via the national grid through a 5.0 MVA line. Power demand is at 2.0 MVA. The supply of power is reported to be generally reliable with interruptions being short. Kalana reports the cost of electricity to be $0.15 per kWh. Kalana does have standby power generation capacity via a number of old Soviet generators. These units are operational and were used during the course of 2004 during planned power stoppages and outages. These units will be retained as a back-up supply only, as the units have insufficient capacity to supply the entire operation.

Management of Avnel notes that, in addition to the information on power supply described in the 2005 Snowden Technical Report, the Malian Government developed an electricity supply infrastructure specifically for the Kalana Gold Mine in connection with its solicitation for tenders. SOMIKA has entered into a supply contract with EDM for the Kalana Gold Mine. Management is of the view that this electricity source is among the most reliable in Mali and has encountered limited major outages. Short power outages do have an impact on the operation. After power is restored it takes time for the compressors to build up pressure in the underground distribution system, therefore impacting drilling operations. When the mill operation stops, pipes in the plant can be blocked as milled material settles in pipes. Delays of 30 minutes can result as pipes are unblocked.

Water

The Kalana Gold Mine itself generates sufficient water from underground for all operations, including mining and plant. Excess water is discharged into water courses. Domestic water is extracted from surface boreholes. Water is currently being intersected by underground development. Pump stations are located on 180m level at No. 2 Shaft and 100m level at No 1 Shaft. Water from 180m level pump station is either pumped to surface or to the 100m level pump station at the No. 1 shaft. The No. 2 shaft pumping capacity is 320 litres per second ("l/s").

Based on the volume of water intersected on Vein 18, it was decided a larger water pump station on 180m level at the No. 2 shaft was needed than was originally planned. The pump station and two water storage dams were mined in 2007 and six 160Kw pumps were installed. Two 200 mm pump columns were installed in the No. 2 shaft to surface. Water from Vein 18 on 150m level will gravitate to the new 180m level pump station. This pump station was commissioned in the third quarter 2007.

Compressed Air

Three 200 kW air compressors have been installed on the Kalana Gold Mine. The total rated capacity of these units is approximately 3,700 cubic feet per minute.

2009 Mining Operations

In 2009, underground mining production increased marginally to 49,000 tonnes, below the plan of 60,000 tonnes. The shortfall was partly offset by improved quality of mining as stoping widths were reduced by 11% from 162cm to 145cm. Due to underground flooding the mining operation was suspended for 18 days with a loss of 2,300 tonnes. Stoping square meters broken increased due to additional faces being available and higher productivity.

Underground grade decreased to 12g/t as lower grade mining blocks were mined. The head grade was below the plan of 15g/t despite reduced mining dilution. The channel widths in the stopes were lower than planned resulting in lower gold content in the quartz veins.

Underground development advanced 651 metres of which 472 meters was in ore. Development focused on opening up additional faces on Veins 17, 18, 18C, 19C, 20C and 21C. Veins 18C and 21C are being developed down dip from the lowest main level at 180m elevation.

2010 Mining Operations

Tonnes milled in 2010 were 2% higher than the production achieved in 2009. Gold production at 10,727 ounces in 2010 was 36% lower than 2009 reflecting the significantly lower head grade reducing from 12.1g/t to 7.7g/t.
Gold recovery in 2010 decreased to 86.1% from 86.8% as the head grade decreased.

Mine development totalled 1,216 metres in 2010 compared to 651 metres in 2009. Ore development increased to 696 metres in 2010 from 472 metres in 2009 as new ore reserve blocks were opened up on 150m and 180m level.

Ore development was focused on opening up mine reserves at Veins 17, 18, and 18C on 180m level, which is the lowest operating level at No 2 Shaft. The majority of the ore development focused on Vein 17 between 150m and 180m elevations. This was successful in opening up ore reserves to the east and enabled mining to continue through 2010 and into 2011

The 180m level haulage was extended to the north to target potential reserves at Vein 19 and Vein 19A. The development exposed lower grade, narrow steep veins that are not economic for the current underground mine. Based on diamond drill holes drilled during 2010, a winze was started to intersect Vein 20 approximately 20m below the 180m elevation. This may provide ore for mining in 2011.Development below 180m level continued on Veins 18C and Vein 18. These have opened up relatively small ore blocks at grades of 7.0g/t for mining in 2011.

Plans for 2011 Mining Operations and Development Results

For 2011, Avnel is planning gold production of 6,700 ounces at an average operating cost of approximately $1,380 per ounce of gold produced, net of royalties from tonnes milled 38,000 tonnes, at an average grade of 6.5g/t. This plan is very sensitive to grade, gold price and costs. The plan assumes development will open up Vein 20 at an assumed grade of 7.5g/t. Initial ore development on Vein 20 in March and April will provide data to confirm this grade The company intends to sustain the operation as long as feasible whilst the exploration program progresses. This is important to reduce the social impact on the community and to cover the costs of underground pumping. Once underground mining operations are temporarily stopped, the mine will be placed on care and maintenance. The underground water pumping system will remain in operation to prevent flooding of the mine and access for future exploration activity.

The mine plans to advance development 436 metres during 2011. Development will focus on opening up Vein 17 east of the fault and Vein 20 below 180m level. Dependent on results, development will continue. Exploration development to provide information to support the exploration drilling program is planned on 150m and 180m level

Table 11: Kalana Mine Development 2005 to 2009

	Units	2005	2006	2007	2008	2009	2010
No. 2 Shaft	Metres	41	24	0	0	0	0
No. 1 Sub Inline Shaft	Metres	27	37	0	0	0	0
Waste	Metres	104	763	1,603	822	179	520
Ore	Metres	77	274	440	867	472	696
Total	**Metres**	**249**	**1,098**	**2,043**	**1,689**	**1,698**	**1,216**

No. 1 Sub Incline Shaft

In 2005, No. 1 sub incline shaft was sunk from the 100m level to the 160m level. In 2006, the No. 1 sub incline shaft was commissioned to hoist rock from the 160m level to the 100m level. Haulages were mined on the 160m level to access ore reserves in Veins 1, 18 and 18a in the south area of the mine.

Development of these ore reserves continued in 2007 and was completed in 2008 under the current mine plan. These veins continue down dip to the 180m level and access from No. 2 shaft was established on 180m level late in 2007. Ore will then be gravitated through an ore pass from 160m level to 180m level. The No. 1 sub incline shaft was de-commissioned as a production shaft in January 2008.

No. 2 Shaft

Sinking of No. 2 shaft was completed behind schedule in 2006. The delay in sinking was mainly due to inexperienced shaft sinking crews and logistical problems. The shaft was commissioned to hoist rock in a 2.5 tonne skip during the second quarter of 2007. Ore hoisted to surface was trucked to the plant

stockpile. The delay in sinking the No. 2 shaft and the water ingress on Vein 18 impacted the planned build up in underground production.

Gold production in 2008 of 21,400 ounces was 25% less or 7,300 ounces less than the 2008 budget of 28,700 ounces. The main reason for lower gold production was that development on 180m level did not expose the high grade Vein 18 ore reserve block. The lower grade Vein 17 reserve block above 150m level was developed and ore production commenced from this ore reserve block.

Gold production in 2009 was 16,677 ounces less than the budget of 25,215 ounces. The main reason for the lower gold production was lower mining grades than had been forecast.

The estimates provided in this section constitute forward looking information. Readers are cautioned that actual results may vary from this forward looking information. The material risk factors which could cause actual result to differ materially from this forward looking information are set out under "*Risk Factors*" in this Annual Information Form. See also "*Cautionary Statement Regarding Forward-Looking Statements*".

Plant Operations

The Kalana Gold Mine is unusual as a high percentage of gold can be recovered by gravity. During 2004, gold recovery averaged 69% with lower recoveries during the start up phase. In 2005, gold recovery increased to 86% with improved operating practice and higher head grades. In 2006, gold recovery increased to 90% with higher head grades. In 2007, gold recovery increased to 92% despite a reduction in head grade. The tailings grade decreased to 2.0g/t. In 2008, gold recovery decreased to 88% with lower head grades. Tailings grade decreased to 1.9g/t. In 2009, gold recovery decreased to 87% with a lower head grade of 11.3g/t and a tails grade of 1.3g/t. In 2010 gold recovery decreased to 86% with a lower head grade of 7.7g/t and a tails grade of 1.1g/t.

Table 12: Kalana Mine Plant Operation for period 2005 to 2010

	Units	**2005**	**2006**	**2007**	**2008**	2009	**2010**
Ore milled	Tonnes	34,885	27,743	35,222	48,262	49,348	**50,238**
Head grade	g/t au	15.5	28.16	24.21	15.7	12.1	**7.7**
Tails grade	g/t au	2.11	2.75	2.02	1.9	1.9	**1.1**
% gold recovery	%	86	90	92	88	87	**86**

Gold recovery was designed as 79% based on a head grade of 14g/t. During 2007, gold recovery was 92% with a head grade of 24g/t. The ore milled for 2007 was significantly lower than the design (60,000 tonnes per annum) and this has been a factor, along with the higher head grade, in achieving the higher than designed gold recovery. However, in 2008 and 2009, mill throughput increased to approximately 4,000 tonnes per month with head grades of 16g/t and recovery was 88% in 2008 and with head grades of 12g/t and 87% recovery in 2009.

The plant has operated at around 4,000tpm in 2009 due to ore shortage from underground.

Ore from Veins other than Vein 1 have been mined during 2009. The experience to date indicates the metallurgical characteristics of these veins (Veins 17, 18, 18C) are the same as ore from Vein 1.

During 2007, ore was trucked from the No. 2 shaft to the new plant stockpile. Ore was then scraped into a bin and then transferred by conveyor onto the existing conveyor system feeding the crusher circuit. The construction of this ore handling system was completed and the system commissioned in the fourth quarter of 2007.

Tailings Disposal Facilities

New tailings facilities were constructed in accordance with a design completed by metallurgical consultants. The original tailings facility was full by mid-2008. Metago Environmental Engineers ("Metago") have completed a design for two facilities through to 2014.

A facility has been engineered and constructed at the small Kalana I open pit to store approximately 18 months of tailings. This facility is planned to be used to the end of 2010. Tailings were deposited into this facility from mid 2008. It is planned to return water from the facility to the plant.

During 2011 tailings will be deposited in both the original tailings facility and the smaller facility at the Kalana I open pit. The capacity of this facility was increased during 2010 by raising a wall 2.0m above the pit elevation.

Environmental and Permitting Considerations

Avnel is engaged in ongoing discussions with the authorities regarding the various permitting requirements. The Malian Government issued a mining permit in 2002 for the project based on a feasibility study and Environmental Impact Study ("EIS"). Avnel reviewed the EIS in the light of new legislation enacted in 2003 and used the new data and details of possible changes in the operating plan to update the EIS Permit.

Based on the review of information, site inspection and discussions referred to above, Metago concluded that the most significant environmental issues related to the Kalana Gold Mine were:

1. The presence of arsenic in the tailings discharge, which could potentially impact on the health of downstream users. Process modifications envisaged floating off the pyrites and the implementation of a return water system would effectively eliminate the possibility of this impact. At the time of the technical review, the arsenic concentrations in the surface water were below the World Health Organization guideline value.

2. The potential generation of acid mine drainage from tailings and waste materials associated with the mining and treatment operations. Based on the available information and observations during the site inspection there was no indication of the formation of acid mine drainage products in the 19 years of operations to date, or that such products would arise in future.

Metago recommended the implementation of various measures to assist in the quantification and mitigation of the risks associated with the mining and treatment operations. Neither these measures, nor those required to address the issues outlined above, would in Metago's opinion have had a material effect on the financial viability of a normal gold mining operation.

Recent Environmental Developments

SOMIKA completed an update on the EIS which was submitted to the Malian Environmental Authorities in 2007. The update included a revised Environmental Management Plan. As part of the review, a public consultation process was carried out in 2006. The EIS was approved and the authorities issued a certificate for the ongoing operation of the mine.

Waste Products

The pollution potential of the products of the Kalana Gold Mine mining and treatment processes were examined in an environmental study completed in 1997 and it was concluded there was minimal risk. During 2005, tests were conducted on the ore and waste products existing on the mine to update the 1997 study. The tests were focused on assessing the potential for acid rock drainage (ARD) and the impact of leachate of the waste material on ground water. The study concluded that it is unlikely that the current waste products will generate ARD.

Mine Closure

A Preliminary Mine Closure Plan was prepared by Metago in 2006. Metago estimated that the Kalana Gold Mine closure would cost $1.6 million (in 2006 terms). This is based on the existing life of mine plan. Elements of uncertainty in estimating this amount include changes in mine life, reclamation alternatives and potential changes in regulatory requirements.

Current and Contemplated Exploration and Development

The Kalana Gold Mine has been developed to provide sufficient exposed ore reserves to meet the production rate of 60,000 tonnes per annum. The mine has been developed down to the 180m level. The mine plan was based on the mining of narrow, high grade quartz veins at 60,000 tonnes per annum.

The current mine plan contemplated the development of the underground mine down to the 300m level. This plan has been changed to meet the Company's new strategy to exploit the total mineral resources at the Kalana Gold Mine.

The Company will examine options to increase ore production by converting existing and potential surface mineral resources into mineral reserves.

Exploration of the Kalana Permit Area outside the Kalana Gold Mine Area by Avnel

The information in this section is summarized or extracted from the "Technical Report — Kalana Phase I Exploration" dated November 4, 2004 (the "Exploration Technical Report", and together with the Mine Technical Report, the "Technical Reports"), prepared by G.M. Greenway, Principal Resource Geologist, of Snowden, who is a "Qualified Person" in accordance with National Instrument 43-101.

Reference should be made to the full text of the Exploration Technical Report which is available for review on SEDAR located at www.sedar.com and on the Company's website at www.avnelgold.com for a description of the Kalana Permit.

Information in this section arising subsequent to the date of the Exploration Technical Report regarding the Kalana Permit is provided by Avnel management under the supervision of Roy Meade (a director of the Company) and Andrew Killick (a former consultant to the Company), each of whom 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 but are contained in supplementary technical information.

Introduction

The exploration conducted by SOMIKA within the Kalana Permit area has been focused on gold deposits amenable to open cast mining. These include disseminated replacement type hosted by sedimentary rocks,

Morila or Sadiola analogues, or multiple Au-quartz vein systems, as mined at Kalana Gold Mine. The following is a summary of the four phases of exploration completed by Avnel to date.

Phase I

The first phase of exploration completed in 2004 ("Phase I") consisted of three stages:

- compilation of database and formulation of an exploration strategy;
- field work and soil sampling program, and
- reporting of results and design of Phase II and III exploration programs.

Phase I of soil geochemical, termite mound and pit sampling identified significant Au-in-soil anomalies within six of the seven grid areas sampled with indications that some of the anomalies are probably very close to source. Zones of alluvial and fluvial material that mask parts of linear Au-in-soil anomalies were also identified. A soil anomaly within Grid #8 was prioritized as the best anomaly for future work with percussion drilling planned for 2005. Rock samples found within this area have returned values of more than 20 g/t Au from quartz material and more than 2.0 g/t Au from metasedimentary material. The results of the first phase indicated that the Kalana Permit area has a good potential for gold mineralization as well as good exploration targets.

Phase II

A second phase of soil sampling was conducted from October to November 2004, in order to further explore prospective areas within the Kalana Permit ("Phase II").

The Phase II exploration program consisted of two stages:

- A total of 1,907 soil samples were collected within 5 grid areas (1,987 samples analysed including duplicates, standards and blanks). The grids completed in the Phase II program were: Grid 5B, Grid 7A, Grid 8B, Grid 10 and Grid 11, and
- reporting of results and design of Phase III exploration program.

Upon completion of Phase II, three additional, significant Au-in-soil anomalies were obtained in the Phase II soil geochemistry program within the Kalana Permit.

Gold anomalism in Grid 10 was found to form a north west to north north-west trending, linear band attaining a strike extent of 2.5km and a maximum width extent of 1km (open to the west) and the gold anomalism in Grid 7A was found to form a north west trending band attaining a possible strike extent of 2km and a maximum width extent of 800m. In Grid 11, four small clusters of anomalous Au values were aligned in a North West direction, which collectively formed an anomalous linear feature of 2km in strike length. No significant Au anomalism was encountered in the extensions to Grids 8 and 5. All significant Au-in-soil anomalies associated with corresponding as anomalies, which indicates that as is a primary gold associate or pathfinder. This relationship also implies that the Au anomalies could be close to source. The rare earth element maps (e.g., Y, La, and Li) continued to clearly delineate alluvium deposited in topographically-low drainage basins. In most cases (Grids 10, 7A, and 11), this transported material masks or hid parts of linear Au-in-soil anomalies of significant length.

Phase III

Field activities and drilling of the third phase of the exploration program within the Kalana Permit were completed in the period of April – June 2005 ("Phase III"). The drilling was focused on the gold anomaly targets identified on Grid 8 in the south east of the Kalana Permit.

The Phase III exploration program consisted of three stages:

- 14 fences of exploratory RAB drill holes were completed over eight soil anomalies in the Grid 8 area;

- 4 lines of RC holes were drilled over the heart of the largest and highest percentile soil anomaly (2.0km x 0.8km anomaly using the 20ppb Au contour within which lies an 800m x 350m anomaly using a 67ppb contour). In addition, six individual RC holes were drilled to investigate the extent of a large zone of sulphide-rich metasedimentary rocks that was encountered during the program; and

- reporting of results and recommendations for Phase IV.

In all, 150 angled RAB holes and 27 RC holes (13 angled and 14 vertical) were accomplished during this phase of drilling. A total of 6,235m of RAB drilling and 2,872m of RC drilling were completed on east west lines with all angled holes oriented -50º to N270º.

A total of 6,198 samples were collected from the RAB drill program. A majority of the RAB drill intervals were combined in composite 2m intervals for a total of 3,296 samples (including standards, blanks and duplicates). A total of 2,888 samples were collected from the RC drill program. A majority of RC drill intervals were combined in composite 2m intervals for a total of 1,548 samples (including standards, blanks and duplicates).

Avnel has summarized the results of the Phase III exploration program as follows:

- two main mineralized zones can be distinguished from the data; the Djirila Main zone, which encompasses gold mineralized intersections in RC-09a, RC09b, RC-10, and RC-15, and the Djirila South zone, which encompasses gold mineralized intersections in RAB-090 and RAB-118;

- the Djirila Main zone is interpreted as a north east trending, quartz-vein-stockwork zone located on the NW side of Djirila hill. This zone is characterized by high-grade gold mineralization and produced highly significant gold assay intervals (e.g., 73.6g/t over 2m from 70m to 72m in RC-09a, and 45.9g/t Au over 4m from 114 to 118m in RC-15). In addition, the Djirila Main zone may contain significant widths of lower grade intersections (e.g., 5.4g/t Au over 36m from 64m to 100m in RC-09a);

- the Djirila South zone is interpreted as a north east trending, quartz-vein-stockwork zone located on the SE side of Djirila hill. This zone is characterized by significant but lower grade mineralization and produced several significant gold assay intervals (e.g., 4.1g/t Au over 6m from 17m to 23m in RAB-090, and 8.3g/t Au over 22m from 35m to 57m in RAB-118);

- gold mineralization is invariably associated with an increase in quartz vein fragments in the RAB and RC cuttings. A positive correlation was also noticed between gold grade and the relative amount of arsenopyrite in the panned concentrates; and

- a large zone of sulphide-rich metasediments was encountered in the RC drilling. The sulphides include pyrite and arsenopyrite. However, both pyrite and arsenopyrite have been observed in abundance within quartz vein fragments and this latter generation of sulphides is interpreted to be related to a hydrothermal origin.

Phase IV

Field activities and drilling of the fourth phase of the 2005-2006 exploration program within the Kalana Permit ("Phase IV") were accomplished in the period from November 2005 – June 2006. The drilling programs were focused on the gold anomaly targets identified on Grid 8 in the south east of the Kalana Permit and Grid 7A.

The Phase IV exploration program consisted of three stages:

- A diamond drill program of 18 holes totalling 2,223m focused on the Djirila Main and Djirila South areas on Grid 8;

- A geochemistry soil sampling program of 1,509 samples in the Kalana Gold Mine Area and the Dabaran Area (Grid 7B); and

- A RC drill program of 55 holes totalling 5,067m focused on the Djirila Main Zone and gold anomalies identified on Grid 7A.

Diamond Drilling Program

15 diamond drill core holes were completed during the campaign targeting the two main mineralized zones, Djirila Main and Djirila South, identified in the Phase III exploration program.

Diamond core holes DDH-01 to DDH-06 and DDH-11 to DDH-14 were designed to test the strike and continuity of mineralization found in a Rotary Air Blast and Reverse Circulation drill program. Most of the holes were drilled at -50^{o} to N270^{o} while two holes (DDH-04 and DDH-05) were drilled at -50^{o} to N090^{o} as scissor holes to check strike and dip orientations. DDH-07 and DDH-08 were drilled as scissor holes to verify mineralization found previously in RAB-118 and DDH-09 was drilled to test anomalous results in RAB-090. DDH-10 was designed to test a possible NE strike of mineralization. DDH-15 was drilled -50^{o} to N270^{o} and was designed to test a zone of artisanal workings to the NNE of the Djirila Main Zone.

Diamond core holes DDH-01 to DDH-06 and DDH-11 to DDH-14 were designed to test the strike and continuity of the high grade mineralization discovered at Djirila Main in the Phase III program.

The gold mineralization in the Djirila Main Zone is best developed in DDH-02 (11.14g/t Au over 24m from 68-92m and 4.81g/t Au over 10m from 136m-146m), in DDH-06 (14.57g/t Au over 3m from 98-101m), in DDH-11 (19.3g/t Au over 2m from 46m-48m, 12.55g/t Au over 19m from 80-99m and 5.72g/t Au over 2m from 120m-122m), in DDH-12 (3.04g/t Au over 7m from 92-99m), in DDH-13 (3.74g/t Au over 14m from 98m-112m), and in DDH-14 (3.14g/t Au over 3m from 113m-116m). This mineralized zone has now been traced by diamond core drilling along a north north-east strike for more than 225m where it has been found to have a vertical to steep easterly dip.

The width of the mineralized zone varies from 3m to 50m and appears to be associated with a north north-east trending corridor of faulting and silica-sulphide emplacement. The zone of artisanal workings stretches another 150m beyond the present drill program.

A ground geophysical survey (IP) conducted over the Djirila Hill area has outlined a linear zone marked by both resistivity and chargeability anomalies parallel to the Djirila Main Zone verifying the presence of the quartz vein network and anomalous sulphides that have been found in the core drill program. The continuation of the geophysical anomalies to the north and south of the present DDH locations indicates that the Djirila Main Zone may have additional significant strike length.

The high-grade gold intersections, combined with the +100m deep saprolite development in the area, bode well for a future open-extraction mining method. Gold mineralization is hosted within a sequence of metamorphosed Birimian volcanoclastic and sedimentary rocks (e.g., lithic-crystal tuff, lapilli tuff, shale). Some of the mineralized intersections are clearly related to quartz veins while other parts of the mineralized zones are related to silicified and sulphide-rich sedimentary rocks that contain abundant pyrite and arsenopyrite.

The results from the diamond drill holes, designed to verify the anomalous RAB intersections in the Djirila South Zone in the Phase III program did not reproduce the same significant results.

Reverse Circulation Drill Program

The program specifically targeted the south-eastern parts of the Kalana Permit, following on the success of the drill programs conducted within Grid-8 in 2005 and early 2006. The results at the Grid-8 area confirm and extend (up-dip) the mineralized zone discovered at Djirila in 2005 (see press releases of August 8, 2005, and of April 19, 2006). The results of the Grid-7A area indicate that the mineralized systems in this grid area appear to have more modest grades and widths within 50m of surface.

Grid-8 Area

Twenty-five holes, inclined at -50 degrees, were drilled within Grid-8 totalling 2,542m (RC-27 to RC-51, figure 6): 9 holes to test the near-surface block within the known mineralized section of the Djirila Main Zone; 9 step-out holes along the Djirila Main Zone horizon; 6 holes to test IP geophysical anomalies east of the Djirila Main Zone; and 1 hole to check anomalous gold values obtained in quartz material sampled in an artisanal mining pit situated approximately 1km north east of the Djirila Main Zone.

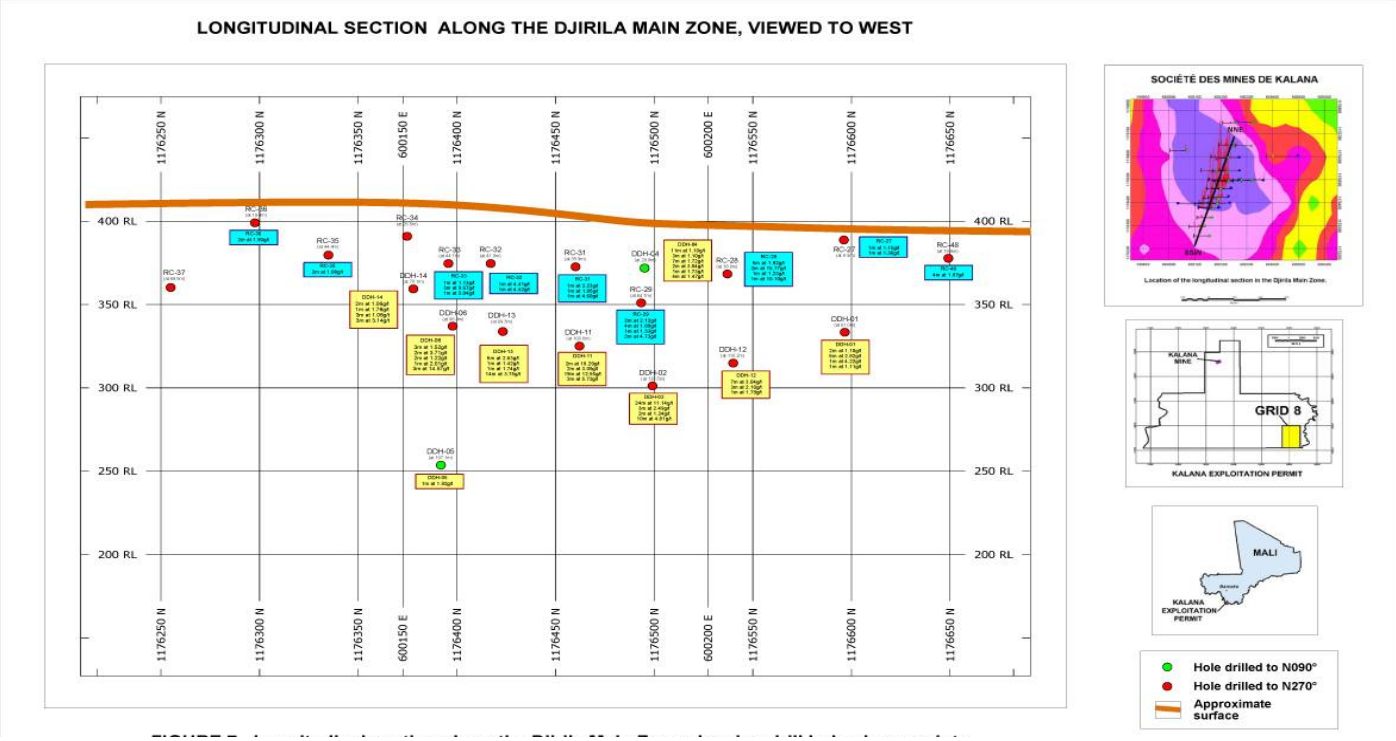
Six of the nine drill holes testing the near-surface, up-dip block at the Djirila Main Zone returned significant intersections and confirm that gold mineralization continues to surface. The best intersections include: 15.8g/t over 2m from 53-55m, and 10.1g/t over 1m from 59-60m in RC-28; 2.1g/t over 2m from 24-26m and 4.7g/t over 2m from 96-98m in RC-29; 2.2g/t over 1m from 17-18m and 4.6g/t over 1m from 100-101m in RC-31; 4.4g/t over 1m from 88-89m and 4.4g/t over 1m from 96-97m in RC-32; 9.7g/t over 3m from 84-87m and 2.0g/t over 1m from 94-95m in RC-33.

Of the 9 step-out holes, 5 holes returned anomalous intersections above 1g/t (RC-35, RC-36, RC-46, RC-47, RC-48). RC-35 and 36 are located along the south west part of the Djirila Main Zone, RC-47 and RC-48 are located along the north east extension of the Djirila Main Zone and RC-46 is located near an artisanal mining zone located west of the Djirila Main Zone.

None of the six holes drilled to check the IP geophysical anomalies east of Djirila Main Zone encountered mineralization of interest. RC-51 returned only a weak mineralized intersection and did not fully verify the mineralization (i.e., 5.3g/t) found in place within an artisanal pit above the hole.

A longitudinal section along the Djirila Main Zone is presented in Figure 4 below. All significant values to date are shown on the section, including the 2005 Phase IV DDH drill campaign (yellow background) and the 2006 Phase IV RC drill campaign (blue background).

Figure 4: Longitudinal section along the Djirila Main Zone showing drill hole pierce points on a generalized plan along the strike of mineralization



Grid-7A Area RC Drill Program

Thirty holes, inclined at -50 degrees, were drilled in Grid-7A totalling 2,525m (RC-52 to RC-81, figure 8). The holes were located in the Tonda anomalies, to the north, and in the Dabaran West anomalies, to the south. The holes were planned to test various soil anomalies and artisanal workings: 11 holes in Tonda "A" sector (RC-71 to RC-81) and 2 holes in Tonda "D" sector (RC-60 and RC-61) tested the two largest clusters of anomalous gold values of Grid-7A; 7 holes in Tonda "B" sector (RC-64 to RC-70) and 2 holes in Tonda "C" sector (RC-62 and RC-63) tested the smaller soil anomalies on strike with the larger mineralized trends of Tonda "A" and Tonda "D"; and 8 holes in the Dabaran West sector tested a weaker, north north-west trending band of gold anomalism present in the south-central part of Grid-7A.

The results returned for the Grid-7A area (Tonda and Dabaran West anomalies) indicate that the mineralized systems in this grid area appear to have more modest grades and widths in the near-surface environment. The correlation between gold and arsenic is less precise on Grid 7A compared to that found on Grid 8 and the other anomalies still to be tested by drilling.

Geochemical Soil Sampling Program

In the Vicinity of the Kalana Gold Mine

Soil sampling was carried out north, south and east of the Kalana Gold Mine (Grid 10B and between Grids 5 and 6). A total of 637 samples were collected. The samples were assayed initially for gold only and later by ICP multi-element analysis for a 35 element suite to be completed. The highlights of the gold analyses are summarized below:

- Zone A is characterized by high Au values above the 98th percentile and has produced significant Au-in–soil within 1.0 kilometres of the Kalana Gold Mine. There are at least two drill targets including a possible extension of the Kalana II open pit resource.

- Zone B hosts several significant Au-anomalous zones. In particular, a new anomaly (B-2) that encompasses an area of approximately 1,000m by 400m lies to the west of the previously identified Kalanako prospect, and represents a drill target.

- Zone C is host to a very significant orpaillage site (zone B-10 to C-2) with more than 3,500 orpailleurs pits that stretch in a north easterly direction for over 1.5 km.

- 15,000 orpaillage pits were located and recorded in the area. It is recommended that the quartz material from these pits be systematically sampled and that the regolith profile be characterised.

Dabaran Area

In the Dabaran area, soil sampling was completed on Grid 7B, east of Grid 7A that was sampled in 2005. A total of 872 samples were collected. The samples were assayed for gold only. It is recommended that an ICP multi-element analysis for a 35 element suite be completed. The highlights are summarized below:

- Four main Au anomalies have been identified.

- Despite the relatively low values the dimensions up to 2.5km in length are important.

- The pattern of the Au anomalism of the southern clusters is somewhat different to the majority of the Kalana Permit. The preferred east north-east orientation of the soil anomalism is probably controlled by the large, donut-shaped intrusion that lies immediately to the south.

Sampling Method and Approach

Snowden has reviewed the sampling procedures and was satisfied that the Phase I samples were collected according to standard industry practices.

Management retained Snowden to observe the drilling and sampling during Phases III and IV. Based on Snowden's report and its own assessment, management believes that the Kalana Phase III and IV exploration program was well managed and best practice procedures were in place; that the diamond drilling was being performed to a high standard; all measures to ensure a high core recovery was being taken by the drill contractor; the core handling, logging, sampling and quality control and assurance procedures ("QA/QC") procedures were of best practice; and the combination of quality analysis of the external, and the laboratories

internal, quality control data were sufficient to ensure that the assay results were of an adequate quality for use in resource estimation.

Sample Preparation, Analyses and Security

The sample preparation, analysis and security were overseen by Mr John Learn, a non-independent Qualified Person. Mr John Learn is the Country Exploration Manager for IAMGOLD, who are the managers of the exploration work being carried out.

Sample Preparation

Soil Samples

All sampling and QA/QC work was overseen by Mr. Michel Mercier, a former technical consultant to SOMIKA. The samples (soil and termite mound samples) were transferred from the plastic bags to stainless steel trays and dried in the sun in the sample preparation laboratory at Kalana. The dry samples were sieved through -80 mesh (180 microns) stainless steel screens, the fine fraction material well mixed in a bowl, and a sub-sample of approximately 150g collected with a scoop was transferred into a plastic bag. The bagged samples were packed into cardboard boxes and transported to the Abilab laboratory in Bamako. The stainless steel screens were cleaned using ultrasonic cleaners and compressed air. The remaining -80 fine fractions, representing the portion of the sample not sent to the laboratory, were stored in a locked onsite store.

The soil sub-samples were transported by road to Bamako, in batches of 1,000 samples, accompanied by a geological assistant. Pit samples were crushed and milled (90% less than 200 microns) at the Abilab Afrique de l'Ouest SARL laboratory in Bamako.

RC & RAB Drill Samples

The Phase III drill program utilised RC and RAB drill equipment as a first-pass exploration drill tool to test the near-surface mineral potential of the Grid 8 area. Chipboards were constructed in order to visually display chips and mud from the cuttings on a metre basis. Drill cutting samples were collected on a metre basis, split into 1kg sub-samples and combined into composite samples representing 2m intervals at the Kalana mine site preparation lab. Samples were then transported by Avnel personnel to Abilab assayers in Bamako, Mali.

Diamond Drill Samples

Drill core was marked for sampling in 1m intervals. The core was split in half and the samples dried in the sun. After drying the samples were placed in a plastic bag with an aluminium tag indicating the sample number. The bags were sealed with a uniquely numbered plastic pull tight bag seal. The bags were then transported to the laboratory and the chain of custody maintained with a sign off procedure at the laboratory. At the laboratory each 1m sample was dried, crushed and a 2kg sample pulverized, and analysed for gold.

Assay Method

Soil Samples

All samples were assayed for gold by Abilab in Bamako using the fire assay standard fusion method of a 30g sample with solvent extraction of the gold and Atomic Absorption Spectroscopy final determination. The Abilab laboratory has a QA/QC system that conforms to much of the ISO 17025 guidelines, but is not certified by a standards association.

Multi-element analysis of 35 elements was conducted for all the soil samples with solvent extraction and using ICP-AES by Assayers Canada in Vancouver, Canada and SGS in South Africa.

Drill Samples

Drill core and RC samples were assayed for gold by 50g fire assay.

Data Verification

Snowden has reviewed the soil geochemistry results of the sampling undertaken by SOMIKA and compared them to the historical Or-Bagoe survey result. The comparison has revealed that results of the Phase I exploration display similar trends and features as the Or-Bagoe soil survey. Subsequent sampling programs in Phase II and Phase IV have confirmed similar trends.

During Snowden's visit to the property no exploration work was ongoing and Snowden was unable to undertake any independent verification of assay results. Snowden is, however, satisfied that after review of the exploration documentation, database and interpretations of the information, including discussions with Mr. Michel Mercier, that the data collection and exploration procedures conform to or exceed industry standards.

Snowden has reviewed the SOMIKA QA/QC system results and is satisfied that the geochemical analysis conforms to industry standards.

Snowden visited the site during May 2005 and December 2005 and observed drilling activity, sample collection and sample preparation, logging procedures and QA/QC procedures on the site and at the independent laboratory in Mali.

QA/QC Program

SOMIKA conducted a system of QA/QC during the Phase I exploration program. Blank material was used to check for contamination during the analytical procedure. SOMIKA prepared blanks from a bulk sample of soil collected in the vicinity of Bamako. The bulk sample was screened to -80 mesh and 150 g samples were put into plastic bags. Assays of the blank material returned values of less than 5 ppb Au. One blank sample was inserted randomly into each group of 100 samples.

Control samples were used to verify the accuracy of the analysis of the laboratory. Control samples were prepared by SOMIKA using a mixture of a Standard Reference Material ("SRM") supplied by Rocklabs Ltd., New Zealand, and the prepared blank material. Rocklabs SRM OxM16, Job Number 60522 with a mean grade of 15.15 ppm Au was used. The control sample was prepared by mixing 142.5 g of blank material with 7.5 g of the SRM. Theoretically, the control sample should have a mean grade of 758 ppb Au. One control sample was inserted randomly into each group of 100 samples. The control was made up using a mixture of soil blank material and a SRM to ensure that the colour of the control sample was similar to the soil samples. No low grade SRM was available at that time in Mali.

Duplicate samples were used to check the degree of precision of the analysis and verify the quality sample preparation, and identify sample mixing. One random duplicate was inserted per group of 50 samples.

Results of the QA/QC Program for Phase I

SOMIKA analysed the QC samples for all 36 elements. Snowden reviewed the results of the quality assurance analysis for all elements that were assayed and is satisfied that the results are acceptable for soil sampling analysis. For the purposes of the Exploration Technical Report, only the gold QC results were presented. Only three samples out of the total of 30 gold blanks (10%) returned a gold value above the detection limit of 5 ppb Au with a maximum of 7 ppb Au. As the gold detection limit has an uncertainty of plus or minus 100%, the results can be considered acceptable and the likelihood of contamination is low.

The control standards returned a mean of 707 ppb Au with a minimum of 594 ppb Au and a maximum of 827 ppb Au. The minimum and maximum values fall within two standard deviations, plus and minus the mean value, and are considered acceptable. The results indicate that the accuracy of the gold analysis is within limits and acceptable and that the analysis of the soil sampling results will be robust.

For the duplicates, three samples with gold values greater than 20 ppb Au fall outside the 50% precision lines and could be the result of either nugget effect or poor analytical precision. The results of the 35 multi-elements by ICP-AES analysis also showed similar poor correlations for the same pairs. Generally, the analyses of the duplicates gave comparable results and the analytical precision is considered acceptable for soil samples.

QA/QC for Ongoing Exploration Phases II, III and IV

Avnel instituted a system of QA/QC during all the exploration campaigns conducted on the Kalana Permit and the Fougadian Exploration Permit. The QA/QC procedures were designed to best industry standards for both the geochemical soil sampling campaigns and drilling programs. The procedures were appropriately documented and detailed statistics maintained. Most assays of samples were conducted by an international laboratory in Mali whilst multi-element assays were conducted in an international laboratory in Canada or South Africa.

During the Phase III and IV drill campaign, three types of check samples were introduced into the sample stream in order to verify the preparation and analysis of samples. These include: (1) gold ‘blanks’; (2) control samples; and (3) duplicates.

Gold blanks are used to verify the possibility of gold contamination during analysis. The blanks used were prepared on site with a bulk sample collected in an area located in the vicinity of Bamako (UTM coordinates in WGS84: X = 597109.8 and Y = 1413624.5). This material invariably returned gold values <5ppb. One gold blank sample was introduced randomly into the sample stream in each group of 100 samples (1%).

Control samples are used to verify the ability of the laboratory to accurately detect gold values. Three different control samples (standard-1, standard-2 and standard-3) were prepared on site with an international reference material (reference material OxM16, job number 60522 and 60328 to 61199) from Rocklabs Ltd. The accepted gold grade for this reference material is 15.15ppm. Standards were prepared so that the sample colouring and texture were similar to the drill samples, thereby guaranteeing that the external QC samples are ‘blind’ to the analytical laboratory. One of the three different control samples

was introduced randomly into the sample stream in each group of 50 samples (2%). The different control samples were prepared as follow:

Standard-1: 1810.0g of the gold blank material and 100.0g of the standard OxM16. The theoretical Au value for standard-1 is 793ppb.

Standard-2: 1720.0g of the gold blank and 175.0g of the standard OxM16. The theoretical Au value for standard-2 is 1399ppb.

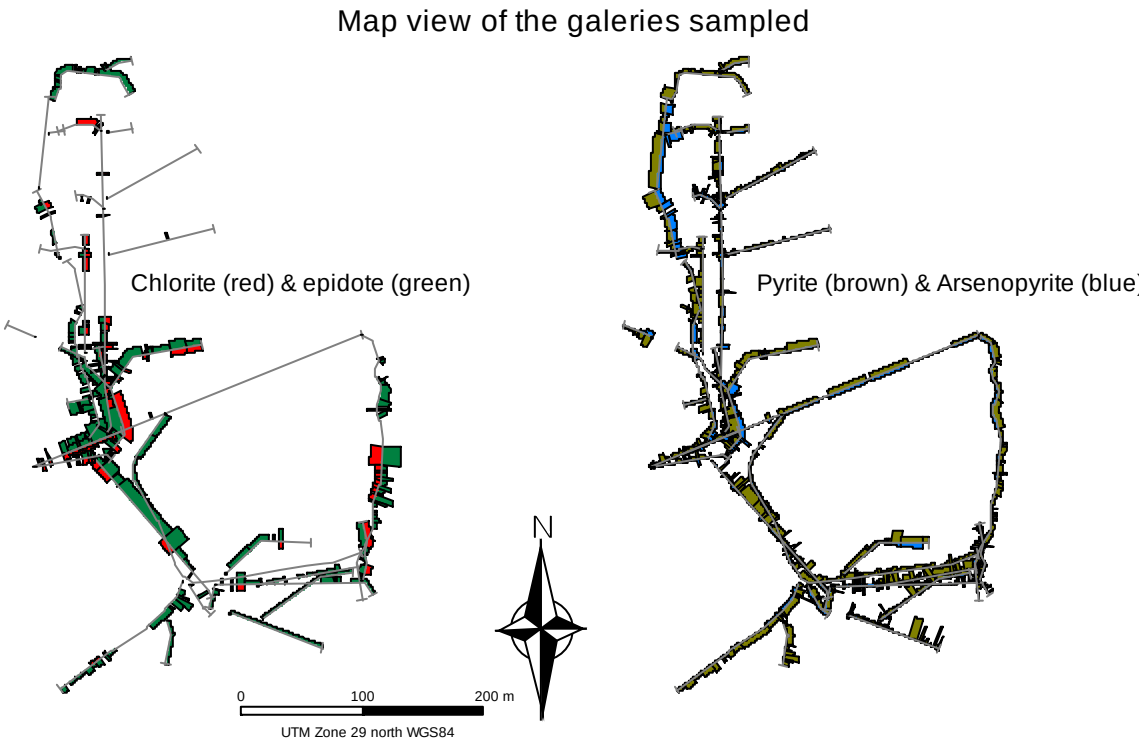
Standard-3: 1550g of the gold blank material and 250.0g of the standard OxM16. The theoretical Au value for standard-3 is 2047ppb.

Duplicates are used to verify the degree of precision of the analyses. They can also be used to verify the quality of preparation of samples in the preparation laboratory or to verify if mixing of samples occurred during batch processing. One duplicate was introduced randomly into the sample stream with each 50 samples (2%).

Management retained Snowden to conduct two reports during the RC and diamond drill programs to review the QA/QC procedures and results. Based on Snowden's reports, management believes the combination of quality analysis of the external, and the laboratories internal, QC data will ensure that the assay results will be of an adequate quality for use in resource estimation.

Underground Grab sampling:

3,953 samples from accessible adits on 75m, 100m, 150m, 160m and 180m level were collected at the Kalana Gold Mine and the Assay results are promising. The underground grab sampling was compiled on a geosoft project. Mapping is coherent between levels and displays a strong sulphide mineralization all through the mine. Nevertheless, strong differences between the northern (epidote-chlorite poor) and the southern (epidote-chlorite bearing = deuteritization) part of the mine occur in relation with the diorite emplacement (central part of the mine). The most northern part of level 100 display epidote-chlorite rich alteration which supposes a new magmatic intrusion north of the underground mine. The entire mine display a strong sulphide mineralization between the main quartz lode (see maps below).



Termite Mound Geochemistry & Regolith mapping:

The termite mound sampling and regolith mapping is ongoing with a Malian contractor. A cumulative total of 3,354 samples have been taken (December-January). 32 km^2 have been mapped. Half of the northern part of the permit is finished, including the Kalana Gold Mine and Kalanako areas. Digitalization of maps is ongoing. Assay results are expected in 2010.

Airborne Geophysics

An airborne geophysics study was completed in the fourth quarter of 2009. The study covered the total SOMIKA Permit Area. The study generated new information on magnetic, radiometric and topographic data. The study will improve the quality of previous surveys as the line spacing 50m and height flown 25m is superior to previous work. The interpretation of the results is ongoing.

2010 Exploration

The report below is an 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.

IAMGOLD expended $6.5 million on exploration from August 2009 to December 2010.

PROJECT MILESTONES ACHIEVED

- Completion of an initial drilling campaign 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 (10 holes) of diamond drill holes and 16,037 metres of RC drill holes (155 holes) were completed by December 2010. Assays are pending and still to be reported

- Re-assaying of all diamond drill holes from the first campaign was completed in January 2011. Re-assaying of approximately 40% of RC drill holes from 1st campaign was completed by early February. All RC drill hole re-assays will be completed in February 2011

- Geophysical data collection over the whole Kalana Permit, as well as the 150 km² Fougadian Permit contiguous with the southern boundary of the Kalana Permit.

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

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.

Mineralised packages up to 18 metres width have been confirmed by drilling and underground development in the northern area of the Kalana Gold Mine (Kalana I North). 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 zone. The initial results of RC drilling confirm the possibility of these vein packages being an important source of gold mineralisation for an open pit. 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. Since the January 31 2011 press release, results from some of the 2010 RC drilling at Kalana II have been received and show the excellent potential for mineralised packages that may lead to a major increase in the existing Mineral Resources.

Initial results from the 2010 RC drill holes at Kalanako, a satellite prospect located 3 kilometres north east of Kalana, are very encouraging. The results indicate that at least two mineralised zones exist, striking north-west as indicated by the geochemical anomaly, artisanal workings geophysical structures.

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, the Company's joint venture partner for the Kalana exploration programme, 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 mineralised zones had been possibly selected to remove visible gold from the sample.

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 reverse circulation and diamond drilling samples from the first 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-assays are generally higher than the original assays of the diamond drill holes, probably due to the loss of material during the sample preparation process. A significant number of mineralized intervals display better results with numerous examples showing higher grades.

The QA/QC data for the re-assay material in general 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.

Results of drilling program

The mine has been split into three 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

Diamond Drilling Results

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 Vein17 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 this 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 will generally undervalue these high grade, nugget 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 Gold 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 North I 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 Gold Mine and drilled north-east to a 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 Table 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 hornfels, strongly altered and silicified with sulphides. 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 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 reported vertical structures in previous exploration and interpretation of geophysical data. The holes intersected vertical quartz vein structures as well as flat dipping quartz vein zones.

Drill holes DD036, 037and 038 intersected mineralised zones within the 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 extension of veins from known veins in the mine northwards towards surface (see Figure 2).

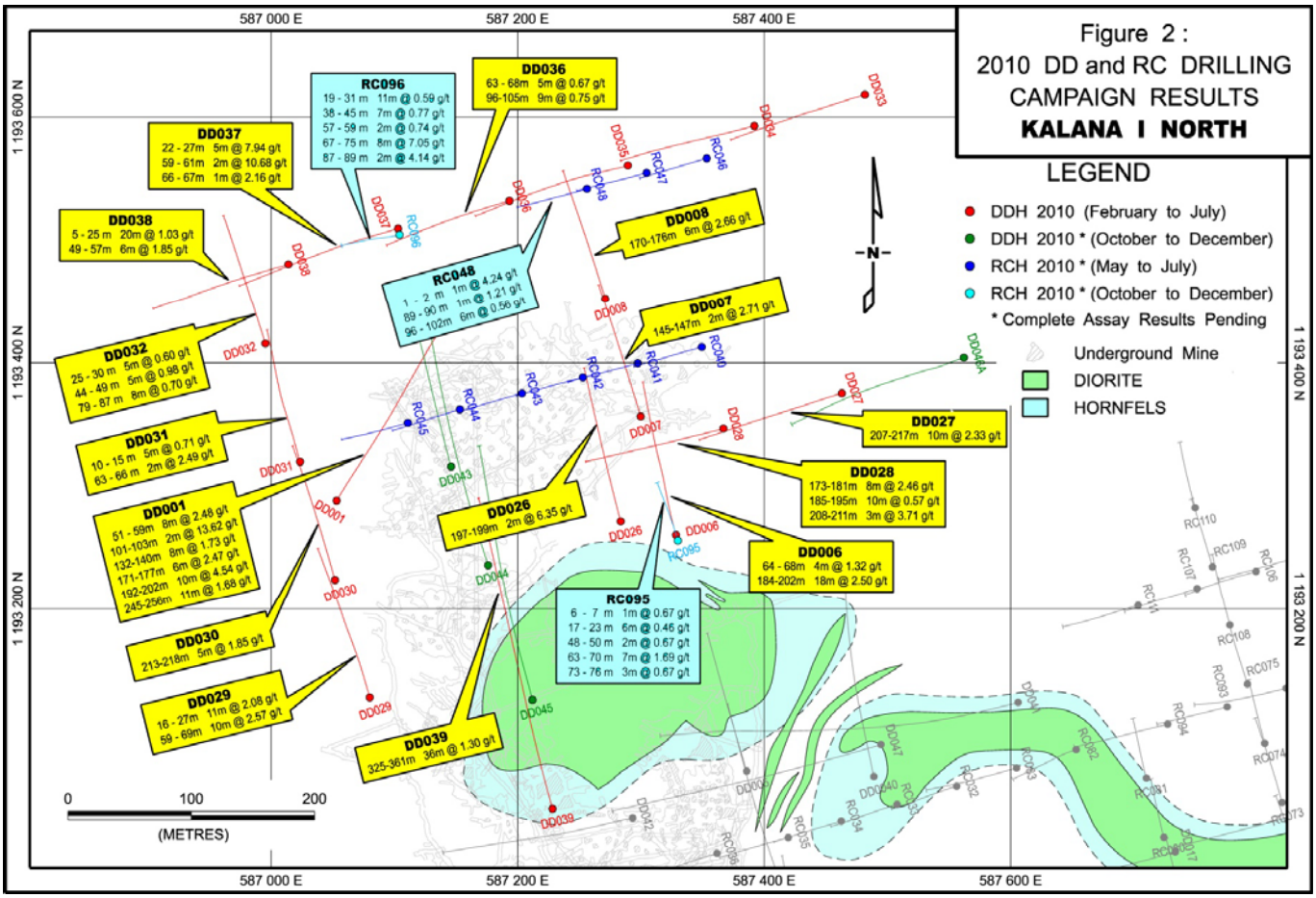
RC Drilling Results

Only one third of the assay results for the 12 RC holes drilled in Kalana 1 North have been received.

An east-west drill line of four RC holes (RC-KA046, 047, 048 and 096) was completed along the same east-west line as DD033 to DD038. KA096 twinned DD037 and was drilled to a hole depth of 100m at an inclination of sixty degrees. 31m of this hole was mineralised with intersections of 12m at 0.96g/t from 19m, 7m at 0.77g/t from 38m and 8m at 7.05g/t from 67m and 2m at 4.14g/t from 87m. These mineralised zones were intersected in DD037. RC048 intersected 1m at 4.24g/t from 1m and 6m at 0.56g/t from 96m. No assay results are available for RC046 and RC047.

A second east west line of six RC holes (RC040 to RC045) was completed and assay results are awaited (see figure 2). Future drilling from south to north will test the continuity of the predominant north to south dipping mineralisation characteristic of the Kalana 1 North domain.

RC095 was drilled from south to north, close to DD006, to a hole depth of 100m at an inclination of sixty degrees. RC095 intersected 6m at 0.46g/t from 17m, 7m at 1.69g/t from 63m and 3m at 0.67g/t from 73m. These mineralised packages were identified in DD006 (4m at 0.78/t from 18m, 5m at 1.60g/t from 63m and 3m at 0.67g/t from 73m).



KALANA 1 SOUTH

Diamond drill results

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 flat 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. No significant assays were reported in DD019.

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 southwest. 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 line partially passed through the mineralisation packages shown 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).

RC Drilling Results

18 RC drill holes were completed during 2011 and assay results have been received for 13 drill holes. The extension of flat dipping, mineralised packages to the east towards Kalana II domain were intersected, showing the potential for an open pit running west-east over a dip distance of approximately 300m and a strike distance of approximately 150m.

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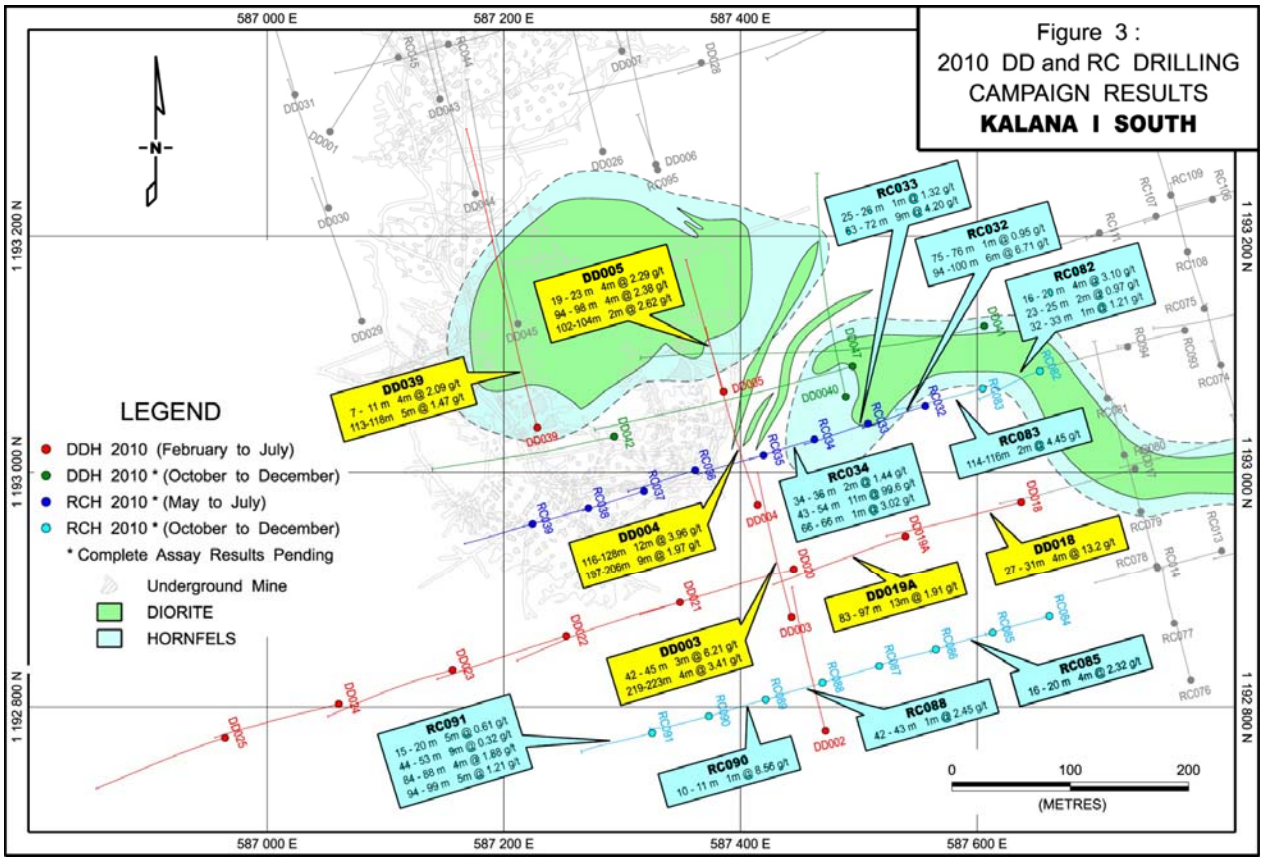
An east-west drill line of 10 RC holes (RC032 to RC039; RC082 to RC083) was completed during 2010 (see Figure 3). The holes were drilled from east to west dipping at an inclination of 55 degrees with a drill hole length of 100m. Drill collars were spaced at 50m. Assay results have been received for RC032, RC033, RC034, RC082 and RC083. RC032 intersected 6m at 6.71g/t from 94m. RC033 intersected 9m at 6.4g/t from 63m. RC034 intersected 2m at 1.44g/t from 34m and 11m at 99.6g/t from 43m (including 2m at 540g/t from 45m). RC082 intersected 17m at 1.09g/t from 16m. RC083 intersected 7m at 1.54g/t from 114m. These holes show the extensions of Veins 1, 2, 4 and 10 dipping to the east.

South of the drill line above, 8 RC holes (RC084 to RC091) were drilled during 2010 (see Figure 3). The holes were drilled from east to west dipping at an inclination of 55 degrees with a drill hole length of 100m. Drill collars were spaced at 50m. Assay results have been received for all 8 drill holes. RC085 intersected 4m at 2.82g/t from 16m. RC088 intersected 1m at 2.45g/t from 42m. RC090 intersected 1m at 8.56g/t from 10m. RC091 was mineralised over 23m. It intersected 5m at 0.61g/t from 15m, 9m at 0.32g/t from 44m, 4m at 1.88g/t from 84m and 5m at 1.21g/t from 94m. Additional drilling is required to understand the mineralisation in the southern area of the Kalana 1 South domain.



KALANA II

Diamond Drill Results

Kalana II is located east of the Kalana Gold Mine and is associated with east west striking diorite.

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 breciatted quartz vein, quartz stockwork and diorites. 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 2.07 g/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.

RC Drilling Results

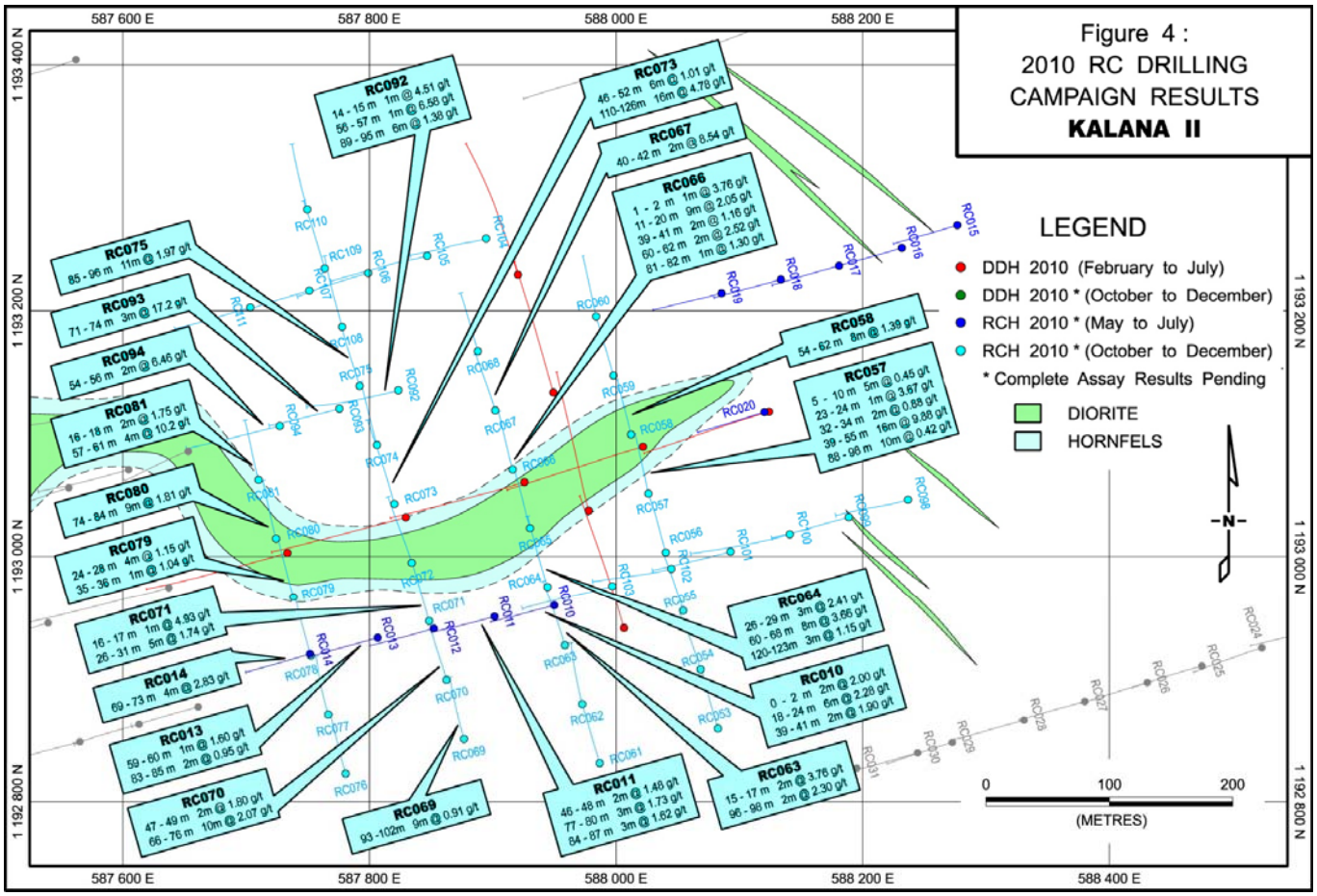
Approximately 6000 metres of RC drill holes was completed between May and December 2010. Re-assay results have been received for 95% of holes drilled in the May-July 2010 campaign within the Kalana II structural domain.

A surface area of 300m by 400m was drilled with four south-north lines spaced 100m apart with drill collars at 50m spacing. Holes were drilled to 100m hole length at an inclination of 55 degrees. One drill line of 5 RC holes was initially completed drilled east-west to 100m hole length at an inclination of 55 degrees. Based on the observations of visible gold and early assay results, additional holes (RC092 to RC094, RC098 to RC102, RC104 to RC111) were drilled to expand information to the north and east.

Better results include the following:

- RC057 intersected 16m at 9.88g/t from 39m. RC058 intersected 8m at 1.39g/t from 54m.
- RC063 intersected 2m at 3.76g/t from 15m. RC064 intersected 3m at 2.41g/t from 20m and 8m at 3.66g/t from 60m.
- RC066 intersected 9m at 2.05g/t from 11m. RC067 intersected 2m at 8.54g/t from 40m.
- RC070 intersected 10m at 2.06g/t from 66m. RC071 intersected 5m at 1.74g/t from 26m. RC073 intersected 6m at 1.01g/t from 46m and 16m at 4.78g/t from 110m. RC075 intersected 11m at 1.97g/t from 85m.
- RC079 intersected 4m at 1.15g/t from 25m. RC080 intersected 9m at 1.81g/t from 74m. RC081 intersected 2m at 1.75g/t from 16m and 4m at 10.2g/t from 57m.
- RC092 intersected 1m at 4.51g/t from 14m and 6m at 1.38g/t from 89m. RC093 intersected 3m at 17.2g/t from 71m. RC094 intersected 2m at 6.46g/t from 54m. All of these holes were drilled from east to west.
- RC010 intersected 2m at 2.0g/t from surface and 6m at 2.28g/t from 18m. RC011 intersected 3m at 1.12g/t from 1m, 3m at 0.94g/t at 22m, 3m at 1.73g/t from 77m and 3m at 1.62g/t from 84m. RC014 intersected 4m at 2.83g/t from 69m. All of these holes were drilled from east to west.

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 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).



KALANAKO 2010 EXPLORATION

The Kalanako Prospect lies 3 kilometres north east of Kalana. The area has with a strike of over 3 km and a width of 1 km where Russian drilling delineated a historical non-compliant C1 + C2 resource of 600,000 tonnes @ 3.6 g/t over a foot print of 400 metres by 200 metres. This Prospect has a strong magnetic signal correlating with a strong geochemical signal.

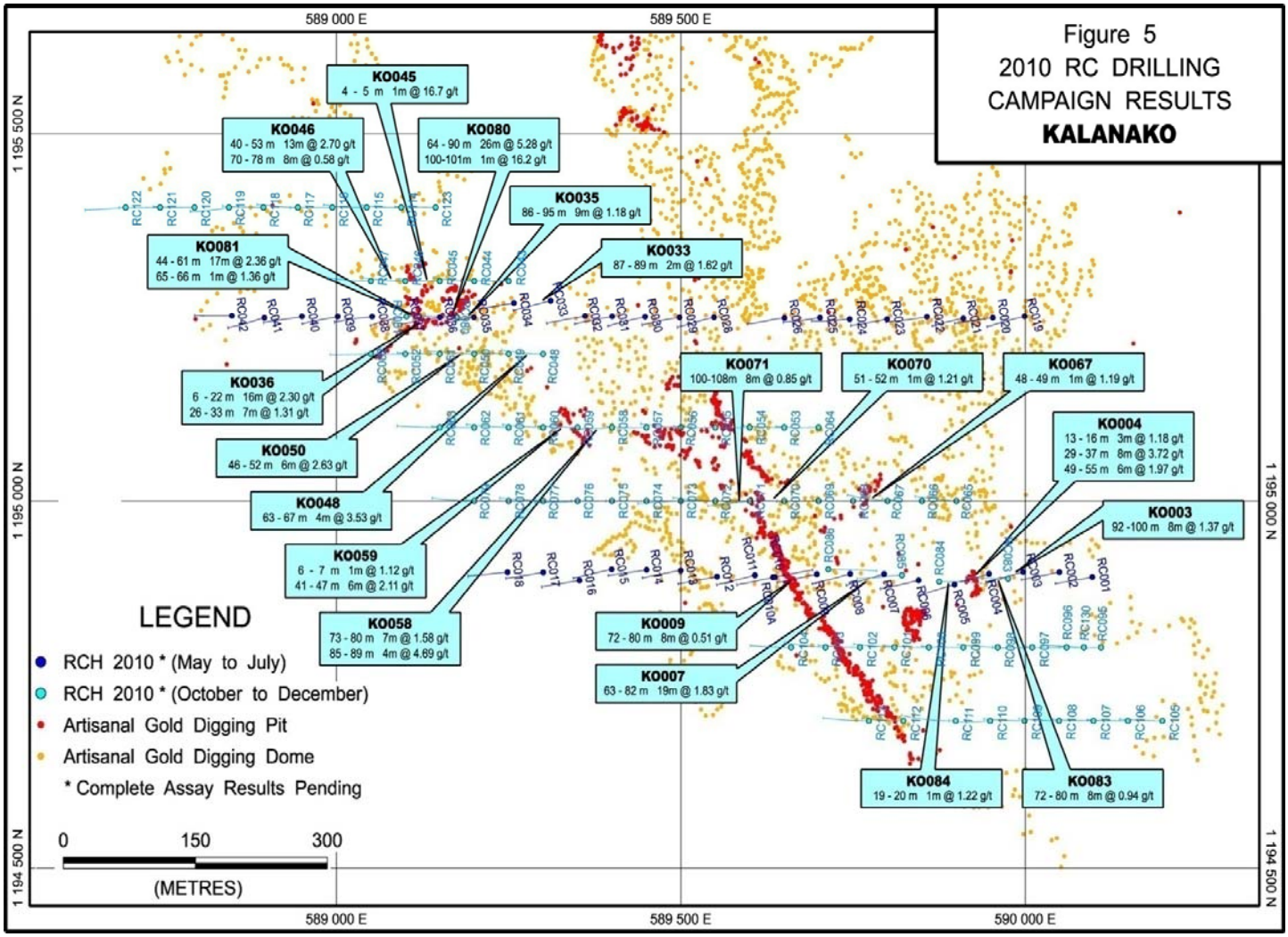
IAMGOLD completed a 138 RC hole drill program during 2010 for a total of 14,460m. Holes were mainly orientated east to west at 50m collar spacings and average depth of 105m. Visible gold was observed in 81 holes when the RC cuttings were panned during the sample preparation process**.** Assay results have been received for 45 holes.

Results from the north-western area display a northwest strike with 10m to 15m true thickness. The dip of the mineralised structure appears to be steep (80 to 85 degrees) and consistent with the different thicknesses of the composites. This mineralised structure was identified in the following holes:
RC035 intersected 9m at 1.18g/t from 86m; RC036 intersected 16m at 2.3g/t from 6m and 7m at 1.31g/t from 26m; RC045 intersected 1m at 16.7g/t from 4m; RC046 intersected 13m at 2.7g/t from 40m; RC048 intersected 4m at 3.53g/t from 63m; RC050 intersected 6m at 2.63g/t from 46m. These holes are on three drill lines spaced 50m apart giving a strike of approximately 100m. Two holes, RC080 and RC081, were drilled to follow up the intersection reported on RC036. RCO80 was drilled from east to west and RC081

was drilled from west to east. RC080 intersected 26m at 5.28g/t from 64m and RC081 intersected 17m at 2.36g/t from 44m.

On the next drill line, 50m south, two good intersections were reported. RC058 intersected 7m at 1.58g/t from 73m and 4m at 4.69g/t from 85m. RC059 intersected 6m at 2.11g/t from 41m.

The first drill line started from the east targeting a zone of northwest striking artisanal workings. Good results were reported from 3 holes over a distance of 200m. RC003 intersected 8m at 1.37g/t from 92m. RC004 intersected 3m at 1.18g/t from 13m, 8m at 3.72g/t from 29m and 6m at 1.97g/t from 49m. RC007 intersected 19m at 1.83g/t from 63m.



Termite Mound Geochemistry & Regolith mapping

Most of the Kalana Permit was also covered by a comprehensive and systematic program of regolith[1] mapping and termite mound sampling. When constructing their mounds, termites transport sub-soil particles to surface, including any gold grains that may adhere to such particles. This affords a convenient if qualitative means of determining the presence or absence of gold in the sub-soil, particularly in areas with duricrust that prevents other soil geochemical sampling

The termite mound sampling and regolith mapping over the SOMIKA Permit was completed during 2010. A total of 20,699 samples were collected over the permit. In the northern area near Kalana 5,906 samples were collected and assays results have been received. The sample density was one sample per hectare (nominal 100m by 100m grid). In the southern area 14,793 samples were collected and assay results for 12,172 samples have been received. The sample density was one sample per two hectares (nominal 200m by 100m grid). Complementing the termite mound geochemistry has been the systematic mapping of artisanal workings. These manifest themselves as small vertical access shafts, as areas of collapse of the duricrust into abandoned workings below, and reject piles left after gold recovery.

The known gold occurrences: Kalana Gold Mine area, the Kalanako target to the northeast and the Dadjan target area are clearly outlined by the extent of these signs of historical mining activities. At Kalanako alone, about 3 500 shafts and 4 200 reject piles and the outlines of 43 collapse areas have been documented covering an area 2.5 km long by 1 km wide. It appears that the artisanal mining was restricted to the mottled zone just below the duricrust, which is also the top of the water table.

The comparison of the available termite-mound assays with the location of the artisanal workings shows the termite mound geochemistry to be a reliable method for the screening of the rest of the property and would be expected to outline new targets even if undiscovered by the artisans.

All samples were prepared and assayed by SGS at their sample preparation and assay labs at Kalana.

The samples were assayed for gold by fire assay and for a number of other elements including arsenic, copper, iron, nickel and rubidium by XRF. There are no termite mounds in areas near rivers that are prone to flooding during the rainy season.

As reported above, SGS did not fully comply with the sample preparation protocol. IAMGOLD decided to submit 5% of the samples for re-assay at SGS laboratories in Bamako and Kayes.

Sample Preparation, Analyses and Security

The sample preparation, analysis and security were overseen by Mr John Learn, a non-independent Qualified Person. Mr John Learn is the Country Exploration Manager for IAMGOLD, who are the managers of the exploration work being carried out

Data Verification

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[1] Regolith *"is a layer of loose, heterogeneous material covering solid rock "*(Wikipedia). In the case of the Kalana Permit, the main types of regolith are the ubiquitous duricrust and transported soils in and along creeks and rivers. Duricrust (also known as ferricrete or hardpan) is formed under semiarid climatic conditions when soluble minerals are transported upwards by capillary action and deposited upon evaporation of the water, cementing surficial sand and gravel.

The SGS laboratories have industry standard procedures for checking for contamination, accuracy and precision of the analytical process. The quality control ("QC") data is monitored on control charts and if contamination, accuracy or precision deviations are noted, the batch is re-assayed. Blanks and certified standard reference materials (SRMs) commercially available are inserted at regular intervals into the stream of termite, RC and core samples – blank – standard – blank – standard every 20 samples. Six to eight different standards are used covering the range from 0.1 g/t to about 10 g/t, with a bias for the lower grades. Oxide SRMs are used for the oxidized saprolite samples and unoxidized SRMs are used for fresh samples. The SRMs are in 50-gram pouches, so they are readily visible to the laboratory. Blanks are sourced from a sandstone near Bamako and after crushing have some resemblance of actual core samples.

Duplicates are used to verify the degree of precision of the analyses. They can also be used to verify the quality of preparation of samples in the preparation laboratory or to verify if mixing of samples occurred during batch processing. One duplicate was introduced randomly into the sample stream with each 50 samples (2%).

Termite Mound Samples

The termite mound samples were collected in plastic bags with a weight between 2 and 3 kilograms. Each sample has an individual identity tag. The samples were transferred from the plastic bags to stainless steel trays and dried in the sun in the sample preparation laboratory at Kalana. The dry samples were sieved through -80 mesh (180 microns) stainless steel screens, the fine fraction material well mixed in a bowl, and a sub-sample of approximately 150g collected with a scoop was transferred into a paper bag. The bagged samples were packed into cardboard boxes and transported to the SGS laboratory at Kalana. The stainless steel screens were cleaned using ultrasonic cleaners and compressed air. The remaining -80 fine fractions, representing the portion of the sample not sent to the laboratory, were stored in a locked onsite store.

Subsequent to October 2010, it was decided to collect new sub samples from the original samples and submit 5% for re-assaying at the SGS preparation laboratory in Bamako and the gold assay laboratory at Kayes in Mali.

RC Drill Samples

Since the top of the water table is at shallow depth, most of the RC drilling is in moist material, with the moisture content often increasing with depth. The cuttings are sampled in one-metre intervals, at a rate of six samples per drill rod Individual samples are collected at the rig and transported to the mine site for air drying in pans as required (mostly for samples from the lower parts of the RC holes). The samples are currently weighed at the drill rig.

The dried samples are split in a large riffle to produce a sub-sample of nominal 2.5 kg for subsequent assaying. Chip boards, washed samples for logging, and pan concentrates for the observation of any free gold are also prepared. These activities are carried out by IAMGOLD personnel to industry standards.

The 2.5-kg sub-sample is taken to the SGS preparation laboratory. The sub-sample is weighed by SGS personnel and the weight written down. The entire sub-sample of nominally 2.5 kg is crushed to 2 mm and pulverized to a nominal 85% passing 75µ. A sub-sample of nominally 200 g is taken from the pulverized material and placed in a Kraft paper bag for transport to the analytical laboratory. Since October 2010 the 200g sub sample has been collected by riffle splitting to avoid possible segregation of heavy gold particles after pulverisation.

Gold assaying is completed on a 50-gram aliquot using the fire assay procedure, initially with an atomic absorption spectroscopy finish. For samples with a gold grade > 5 g/t, the assay is repeated with a gravimetric finish. All rejects (the 20 to 22 kg left from riffling of the original sample and the 2.3 kg of pulp are retained and warehoused at the Kalana site.

Diamond Drill Samples

Drill core was marked for sampling in 1m intervals. Splitting (but not sampling) of the soft saprolite is done with a knife at the drill rig when the core is still moist. The core is then transported to the mine site where the following is performed in sequence:

1. A technician checks the distances between the depth markers placed in the core box by the drillers, and determines the amount of lost core;

2. Geotechnical and structural logging follow;

3. The core is then photographed by digital camera with high resolution;

4. The saprolite that could not be split at the rig and the fresh rock are sawed by diamond saw;

5. The core is geologically logged and the sample intervals marked; and finally

6. Collection of the core samples is the last step. Depending on the material and the core size, samples produced will have a range of weights which are recorded.

All of the steps 1 to 6 are performed by IAMGOLD personnel, and the procedure is industry standard.

The core was split in half and one half of core sample was then transferred to SGS for preparaton and assaying. The remaining half core was retained as a duplicate, Sample preparation starts with the entire sample being crushed to 2 mm, a 2.5-kilogram sub-sample split out (if required) and pulverized to 85% passing 75µ,

A sub-sample of nominally 200 g is taken from the pulverized material, placed in a Kraft paper bag for transport to the analytical laboratory. Gold assaying is completed on a 50-gram aliquot using the fire assay procedure, initially with an atomic absorption spectroscopy finish. For samples with a gold grade > 5 g/t, the assay is repeated with a gravimetric finish. The coarse crusher rejects and the pulp rejects are retained and warehoused at the Kalana site.

Following the protocol failure as reported on page 53, the same procedures were applied to all diamond drill holes from February to May 2010. The remaining half core sample was bagged and sent to SGS Bamako laboratory for sample preparation. The sub-sample was sent to the SGS assay laboratory at Kayes for gold assaying.

Diamond drill holes were drilled from October to December. Once the SGS laboratory at Kalana was operating to standard, the samples from these drill cores were prepared at Kalana and the gold assaying at the SGS laboratory at Kayes.

Assay Method

The laboratory has procedures for checking for contamination, accuracy and precision of the analytical process. Standard assay procedures were used by the SGS analytical laboratories at Kalana and Kayes. Gold assaying is completed on a 50-gram aliquot using the fire assay procedure, initially with an atomic absorption spectroscopy finish. For samples with a gold grade > 5 g/t, the assay is repeated with a gravimetric finish.

As part of early investigations by IAMGOLD into the most appropriate assaying protocol for Kalana samples, several different sample preparation/assaying protocols were tested on an initial set of 81 samples. This involved regular fire assaying (FA_{50}), screen metallics fire assaying on a 1000-gram sub-sample $(SFA)^2$, and the determination of bulk-leach extractable gold (BLEG) on a 1000-gram sample, with and without prior roasting.

The results of these investigations are reported in Fémènias & Sangaré (2010a). The BLEG procedure was rendered ineffective by the inability of the method to recover a predictable portion of the gold contained in a sample even after roasting and leach times of up to 48 hours. The report states that the SFA method yielded systematically higher gold values by a considerable margin compared to assays obtained from the FA_{50} method. This conclusion has been subsequently dispelled since it was based on a comparison of the total SFA assay results with those of the fine fraction and not with the results obtained by FA_{50}.

Data Verification

Blanks and certified standard reference materials (SRMs) commercially available are inserted at regular intervals into the stream of termite, RC and core samples – blank – standard – blank – standard every 20 samples. Six to eight different standards are used covering the range from 0.1 g/t to about 10 g/t, with a bias for the lower grades. Oxide SRMs are used for the oxidized saprolite samples and unoxidized SRMs are used for fresh samples. The SRMs are in 50-gram pouches, so they are readily visible to the laboratory. Blanks are sourced from a sandstone near Bamako and after crushing have some resemblance of actual core samples.

Adjacent Properties

There are several exploration projects adjacent to the Kalana Permit area but public information regarding these properties is limited. However, there is one gold project located approximately 5.0 km to the northeast of the Kalana Permit being developed by Société pour le Development des Investissements en Afrique (SODINAF). No results have been published for this property. The mineralization found on this property cannot be considered indicative of the Kalana Permit.

Fougadian Exploration Permit

In February 2006, Avnel was awarded a three month exploration authorization on the Niessoumala exploration area directly south of the Kalana Permit.

The area fell within the Or-Bagoe geochemical soil sampling program conducted in the 1980s. That survey identified a number of multi-kilometre length gold anomalies. The soil survey lines were at 1 km

spacing. Avnel collected 1,512 soil samples, using 200m line spacing, from three anomalies identified in the Or-Bagoe survey and assayed 300 samples for gold. The results confirmed that gold occurs at these locations. A number of orpaillage pits were identified during the field work. Based on the results and the potential for gold discoveries, Avnel Mali applied for an exploration permit over 150 sq. km.

Avnel Mali was awarded the Fougadian Exploration Permit which lies south of the existing Kalana Permit. The Fougadian Exploration Permit covers an area of 150 square kilometres. The Fougadian Exploration Permit has been awarded in accordance with the 1999 Mining Code and an agreement has been signed between Avnel Mali and the Government of the Republic of Mali. If a decision is made to construct a mine, Avnel Mali will have a 90% interest and the Malian State will have a 10% interest in the Fougadian Exploration Permit. The agreement provides for the exploration and exploitation of Group 2 minerals as defined in the 1999 Mineral Code. Group 2 minerals includes gold and silver, base metals but excludes precious stones, semi- precious stones and fossils.

The Fougadian Exploration Permit is valid for a period of three years, renewable twice with a 50% surface area reduction on each renewal. The renewal becomes a right, provided that Avnel Mali has complied with all obligations stipulated in the 1999 Mining Code.

Avnel has applied for a renewal of the Permit and this was granted in March 2010. Avnel has specified a new area of 75 sq. km as required by the Malian Code.

The agreement grants Avnel Mali the exploitation rights for a period of 30 years and sets out the fiscal, economic and customs regime as stipulated in the 1999 Mining Code and the fiscal law of Mali.

The Mali Government, as a shareholder, is entitled to a 10% free carried interest. If the capital of the Company is increased, the Mali Government will be entitled to maintain its 10% free carried interest. The Mali Government has the right to purchase an additional 10% interest on commercial terms.

Joint Venture Arrangements Agreement

In 2010, Avnel Gold and IAMGOLD entered into the Joint Venture Arrangements Agreement whereby IAMGOLD has the option to acquire up to an initial 51% interest in Avnel's 90% interest in the Fougadian Exploration Permit as described below.

The Fougadian Permit held by Avnel previously comprised 150 sq. km. to the south of and abutting the Kalana Exploitation Permit. Avnel relinquished the southern half of its ground in accordance with the Malian Mining Code and was granted a new exploration licence on the northern half on March 23, 2010. IAMGOLD has applied for an exploration permit in respect of the southern 75 sq. km. and it was granted in December 2010. The combined permits are referred to as the "Fougadian Exploration Permit".

The Fougadian Exploration Permit was covered by the Or-Bagoe soil geochemistry program completed in 1988 by the United Nations Development Program. Samples were collected from E-W lines spaced one km apart with 200m spacing in an E-W direction. The survey identified gold anomalies as shown in Figure 5.

- On the western side of the Fougadian Exploration Permit, there is an anomalous gold trend of approximately 18 km running north-south. This anomaly lies close to the contact of a massive granitoid body and the meta- sedimentary domain on the permit. Two significant orpaillage workings have been identified on this anomalous trend.

- In the north east section, there are a number of gold anomalies that extend onto the Kalana Permit.

- There is a north trending anomaly running approximately 8 km located in the central north section of the Fougadian Exploration Permit. Three extensive orpaillage sites have been identified in this area.

- In the south east, there is a north east trending anomaly of approximately 8 km. One extensive orpaillage site has been identified on this anomaly.

Figure 5: Fougadian single-element colour-contoured map for gold with the grouping of the anomalous clusters within the three mineralized corridors

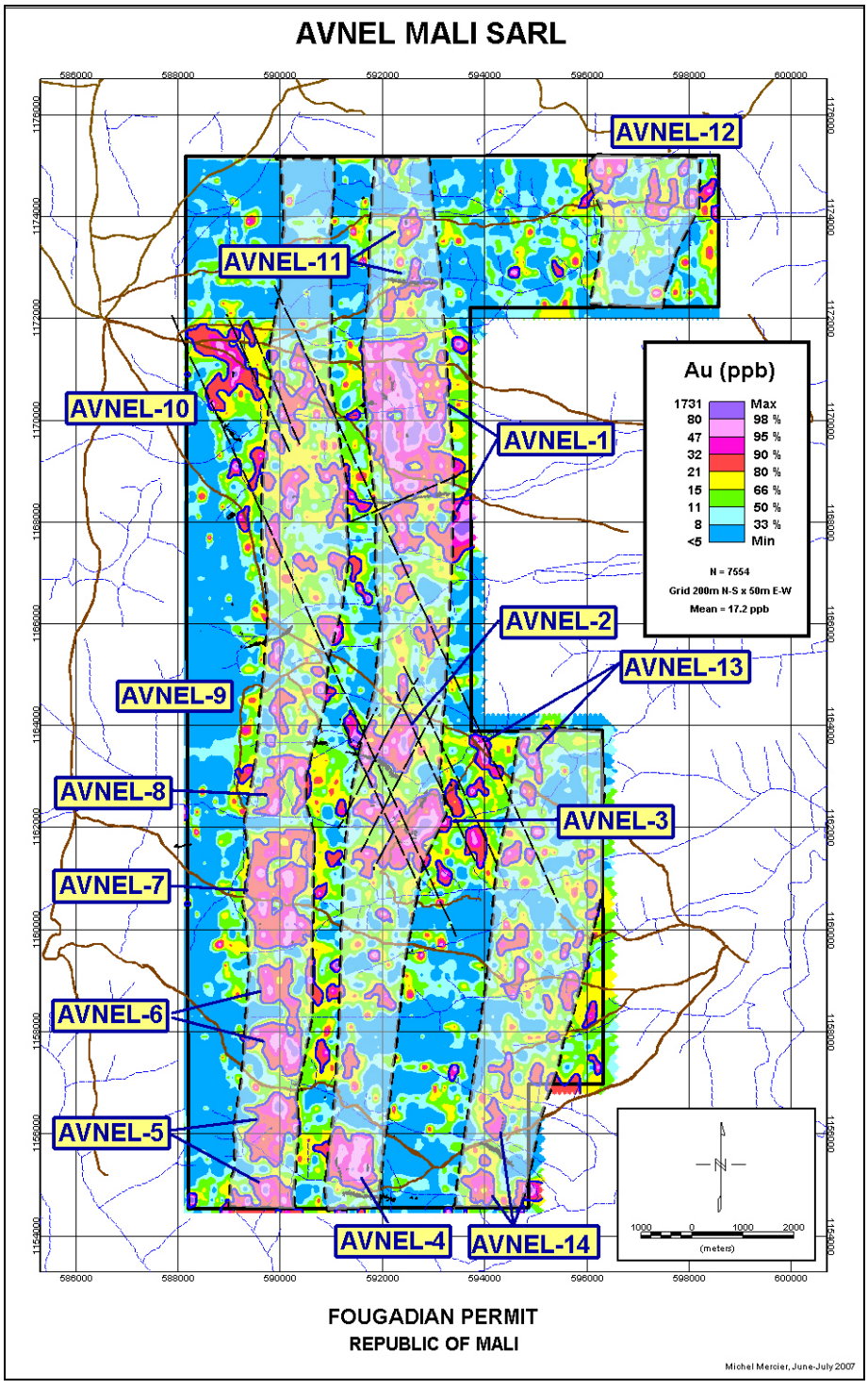
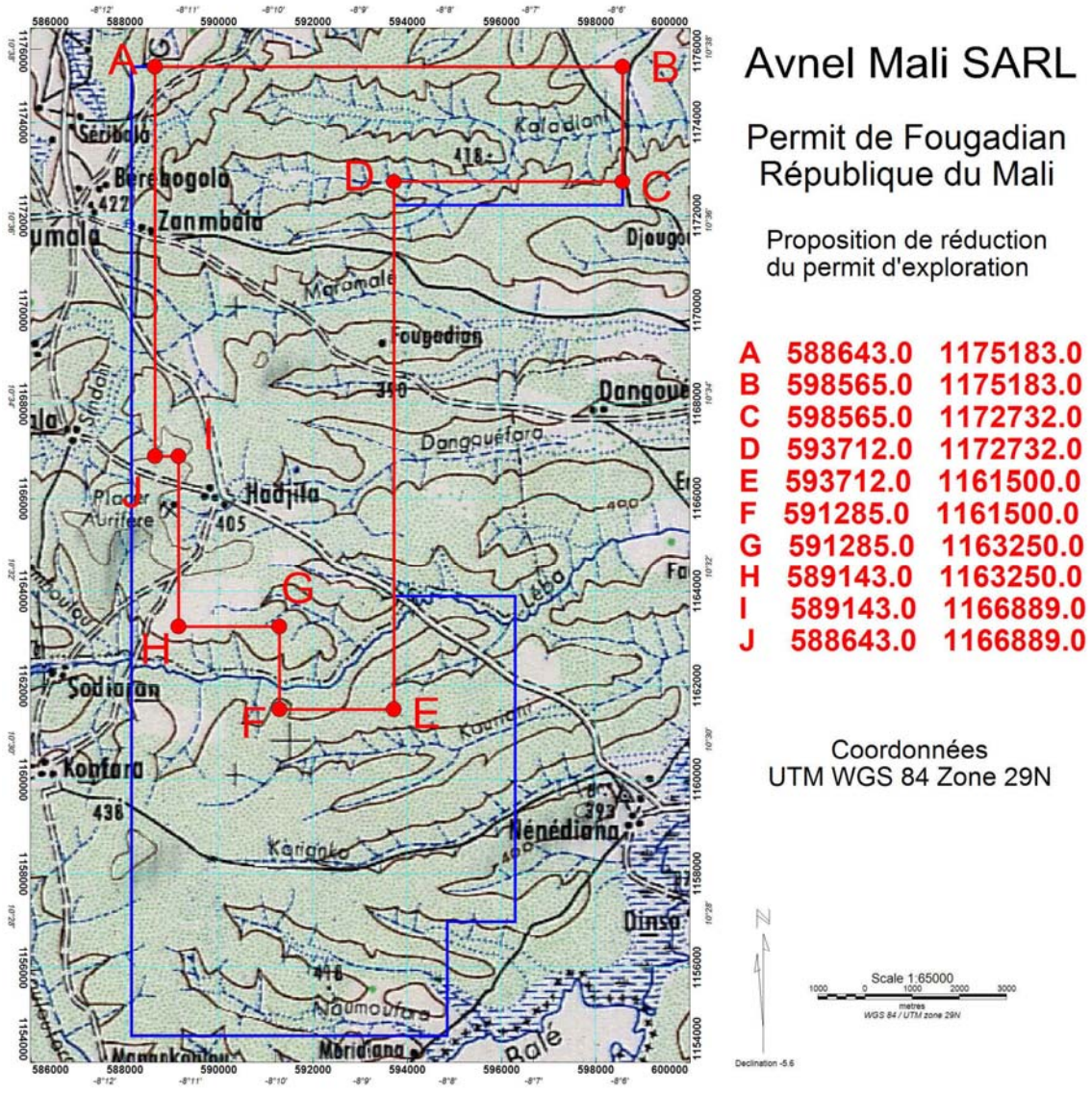

AVNEL MALI SARL
AVNEL-12
AVNEL-11
AVNEL-10
AVNEL-1
AVNEL-2
AVNEL-13
AVNEL-9
AVNEL-8
AVNEL-3
AVNEL-7
AVNEL-6
AVNEL-5
AVNEL-4
AVNEL-14
Au (ppb)
1731 Max
80 98 %
47 95 %
32 90 %
21 80 %
15 66 %
11 50 %
8 33 %
<5 Min
N = 7554
Grid 200m N-S x 50m E-W
Mean = 17.2 ppb
1000 0 1000 2000
(meters)
FOUGADIAN PERMIT
REPUBLIC OF MALI
Michel Mercier, June-July 2007

Figure 6: Fougadian Pemit after 50% reduction of surface area



In terms of the renewal Avnel has committed to spend US$1.9 million over three years from 2010 to 2012.

Phase I

Field activities of the Phase I soil geochemistry exploration program were accomplished in three different periods from March 2006 to May 2007. A total of 8,241 soil samples (including 468 controls) were collected along east west oriented lines spaced 200m apart (N-S), with a sample spacing of 50m in an east west direction. The soil sampling program was planned and supervised in the field by Michel Mercier (a "Qualified Person" in accordance with National Instrument 43-101), who is a consulting geochemist and exploration geologist with more than 20 years of experience in West Africa.

All soil samples were sieved at -33 mesh at the prep laboratory at the Kalana Gold Mine and a 30g sub sample submitted to the Abilab laboratory in Bamako, Mali for gold assay (fire assay). The samples were analysed for 35 elements at a laboratory in South Africa. All samples were analysed for gold (fire assay) and for a 35 multi-element suite (ICP-AES) that includes arsenic, copper and potassium. Parallel to the sampling program, three other studies have been initiated: an inventory of the orpaillage sites present within the permit (26 orpaillage sites have been inventoried in the Fougadian Exploration Permit totalling approximately 12,400 pits, and six sites among them contain more than 1,000 pits); a preliminary regolith study; and an interpretation of the SYSMIN airborne geophysical survey.

The numerous significant gold and arsenic anomalies that have been delineated as shown in Figure 7 below were grouped into 14 anomalies (Avnel-1 to Avnel-14). It was observed that these 14 gold anomalies fall along three major mineralized corridors. Two of these corridors are sub-parallel, strike approximately north south and can be traced nearly continuously through the length of the property. The third corridor strikes north north-east and south south-west and passes through the south-eastern and north-eastern quadrants of the licence.

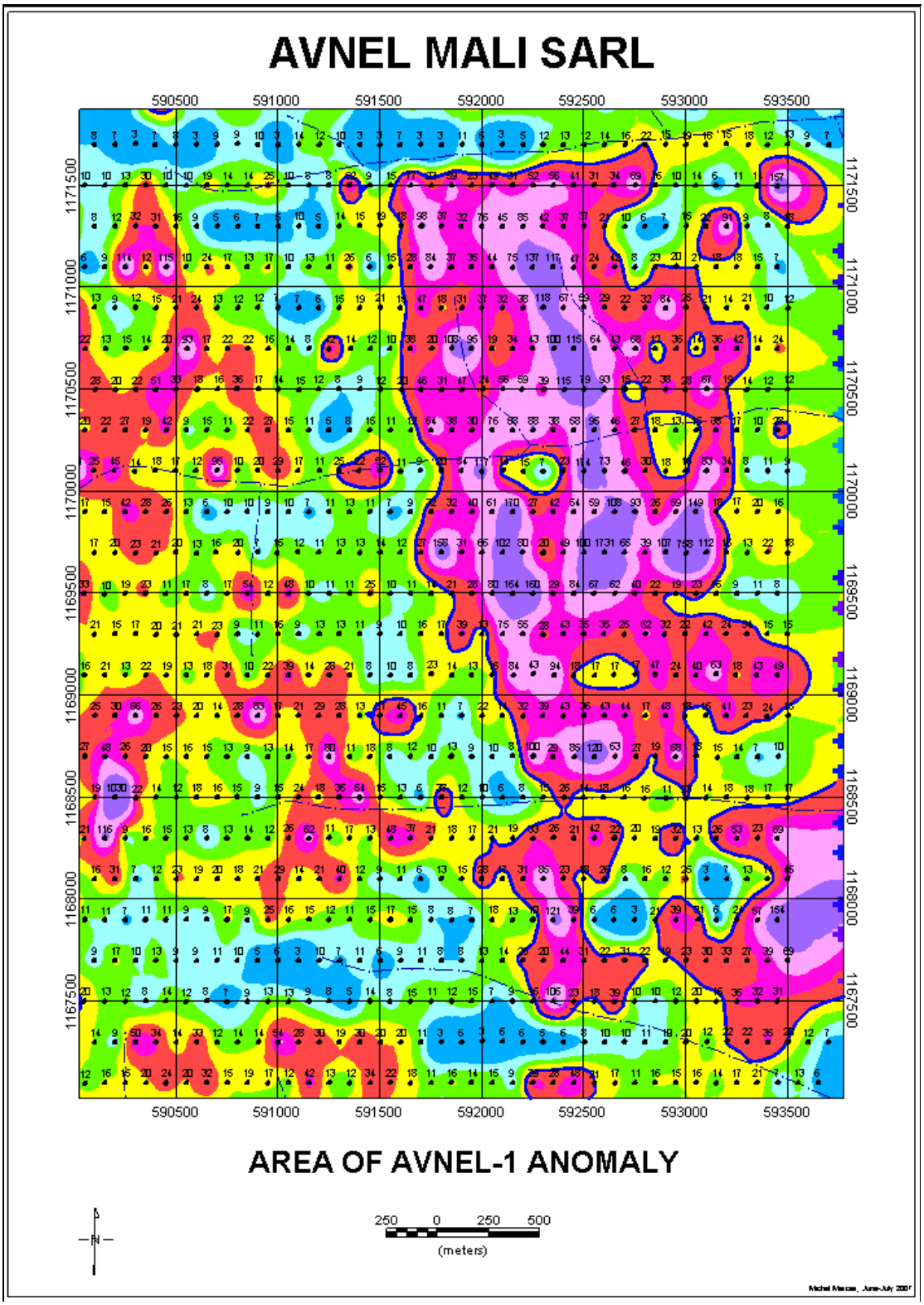
The Avnel-1 anomaly is the largest and the most important in terms of gold and arsenic values. It extends for almost 4 km in a north south direction and for 1.5 km in an east west direction.

Other significant km-scale gold anomalies have been delineated within the Fougadian Exploration Permit. Among them, the most important in terms of potential are considered to be Avnel-5, Avnel-6, Avnel-7, Avnel-8, Avnel-2 and Avnel-3.

The presence of definable ‘corridors’, +20km in length, characterised by linearly disposed anomalous concentrations of gold, arsenic, potassium and copper that cross the permit north to south is considered very encouraging. The anomalies present in the western north south mineralized corridor (Avnel -5 to 10) are located close to the lithological contact between a batholith-sized granitoid body to the west and the Birimian metasediments to the east and could represent a favourable locus for hydrothermal mineralization.

The anomalies present in the central north south mineralized corridor and the anomalies present in the eastern north north-east and south south-west mineralized corridor may be more related to quartz vein type deposits such as the Kalana Deposit (i.e., distinct linear bands of high gold values are observed within the main anomalies of the central and eastern north south mineralized corridors). Artisanal mining sites exposing quartz vein fragments are a significant feature of the more important gold anomalies in these mineralized corridors.

Figure 7: Gold anomalism pattern in the Avnel-1 anomaly (Au values in ppb).



A follow-up field exploration program has been recommended in order to evaluate the potential of the numerous significant gold anomalies in the Fougadian Exploration Permit. This program will include diamond drilling and RC drill campaigns.

A study was completed to interpret existing airborne magnetic and radiometric data generated through the SYSMIN program in 2001. The study suggested that coincident potassium and magnetic anomalies are potential targets for further gold exploration. The study identified two north striking corridors defined by co-incident potassium and magnetic anomalies.

Avnel advanced its exploration of the Fougadian Exploration Permit by commencing an exploration drilling program in March 2008. The Fougadian Exploration Permit is located directly south of the Kalana Permit on which the Kalana Gold Mine is operating.

The drill program was focused on the Avnel-1 gold-in-soil geochemical anomaly that is the largest and the most important in terms of gold and arsenic values on the Fougadian Exploration Permit. The anomaly is defined by an area where values generally exceed 32ppb Au and attain a maximum of 1731ppb Au. It extends for almost 4 kilometres in an N-S direction and for 1.5 km in an E-W direction.

Two diamond drill holes were completed to a depth of 190 metres in order to provide information on the bedrock structure that can be used to optimise the orientation of the RC drilling programme. 48 inclined RC drill holes totalling 5422 metres were completed on a grid pattern during the second quarter, covering only a small portion of the Avnel 1 anomaly. The holes were drilled in a heel-to-toe fashion to ensure complete coverage across the width of the anomaly. As the budget was inadequate to fully test this large anomaly, the holes were drilled along pairs of lines spaced 200m apart, one pair in the north and a second pair 800m further to the south. Because of encouraging geological indications, an additional three holes were drilled to the south of the latter set of lines.

In summary, out of the 50 holes drilled 15 (30%) intersected values above 1g/t Au.

2009 Airborne Geophysics Study

An airborne geophysics study was completed in the fourth quarter 2009. The study covered the total Fougadian Exploration Permit. The study generated new information on magnetic, radiometric and topographic data. The study will improve the quality of previous surveys as the line spacing 50m and height flown 25m is superior to previous work.

RISK FACTORS

The Common Shares are considered speculative due to the nature of Avnel's business and the present stage of its development. A prospective investor should carefully consider the risk factors set out below. The following information is a summary only and should be read in conjunction with detailed information appearing elsewhere in this Annual Information Form and in Avnel's annual audited financial statements and management's discussion and analysis for the year ended December 31, 2010. These risks are not the only ones which may affect Avnel. Additional risks and uncertainties not currently known to Avnel, or that are currently considered immaterial, may also impair the business of Avnel. If any such risks actually occur, the business or financial condition of Avnel could be materially adversely affected.

Capital Requirements

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's current cash flow forecast has identified a future cash shortfall. The continuing operations of the Company are dependent on its ability to generate future cash flows from its mining operations or obtain additional financing and 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 a private placement of the 2011 Units (comprised of shares and the 2011 warrants) for cash proceeds will be closed on or around March 31, 2011 that would meet all identified shortfalls in full. Management believe that this or other financing options will continue to be available to enable the Company to continue to operate as a going concern. In the event that the Company is unable to 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 is dependent 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 as well as obtaining new sources of finance. With the world economy moving slowly out of recession, sources of finance are still difficult to obtain and are expensive.

The Company is currently in the middle of a significant exploration programme being performed by IAMGOLD under the terms of the Option Agreement. The Company intends to sustain the operation as long as economically feasible, without spending significant capital expenditure, until such time as the results of this exploration are completed and assessed to enable the Company to better evaluate future development options for the mine. Until this work is completed and a suitable development plan is identified, output from the mine will continue to be constrained.

There is a risk that any additional financing will not be available on a timely basis or on acceptable terms. 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.

Exploration, Development and Operating Risk

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection.

The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Avnel not receiving an adequate return on invested capital.

Avnel intends to further develop the Kalana Gold Mine. Mining operations generally involve a high degree of risk. Such operations are subject to all the hazards and risks normally encountered in the exploration, development and production of underground gold mines, including unusual and unexpected geologic formations, rock conditions, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Milling operations are subject to hazards such as equipment failure, changes in ore characteristics such as rock hardness and mineralogy which may impact production rates and gold recovery, or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

There is no certainty that the expenditures made by Avnel towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of ore.

Avnel, and its JV Partner IAMGOLD, intends to continue exploration on the Kalana Exploitation Permit and Fougadian Exploration Permit. There is no certainty that the expenditures made by Avnel will result in discoveries of commercial quantities of ore.

Uncertainty in the Estimation of Mineral Reserves and Resources

There is a degree of uncertainty to the calculation of mineral reserves and mineral resources and corresponding grades being mined or dedicated to future production. Until mineral reserves or mineral resources are actually mined and processed the quantity of mineral resource and mineral reserve grades must be considered as estimates only. In addition, the quantity of mineral reserves and mineral resources may vary depending on, among other things, metal prices. Any material change in quantity of mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of the Company's properties. In addition, there can be no assurance that gold recoveries or other metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Fluctuation in gold prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. The volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of Avnel's ability to extract these mineral reserves, could have a material adverse effect on Avnel's results of operations and financial condition.

Uncertainty Relating to Inferred Mineral Resources

There is a risk that inferred mineral resources cannot be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration.

Uncertainty Relating to Production Estimates

Avnel prepares estimates of future production and future production costs for particular operations. No assurance can be given that production estimates will be achieved. These production estimates are based on, among other things, the following factors: the accuracy of reserve estimates; the accuracy of

assumptions regarding ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics; and the accuracy of estimated rates and costs of mining and processing.

Actual production may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; risk and hazards associated with mining; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures and cave-ins; and unexpected labour shortages or strikes. Failure to achieve production estimates could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Gold Prices

The development and success of the Kalana Gold Mine will be inter-alia, dependent on the future price of gold. Gold prices are subject to significant fluctuation and are affected by a number of factors which are beyond Avnel's control. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world. The price of gold and base metals has fluctuated widely the past 10 years, and future serious price declines could cause continued development of and commercial production of our properties to be impracticable. Depending on the price of gold, projected cash flow from planned mining operations may not be sufficient and Avnel could be forced to discontinue development and may lose its interest in, or may be forced to sell, some of its assets, including the Kalana Gold Mine. Future production from the Kalana Gold Mine is dependent on gold prices that are adequate to make the property economic.

Furthermore, reserve calculations and life-of-mine plans using a significantly lower gold price could result in material write-downs of Avnel's investment in the Kalana Gold Mine and increased amortization, reclamation and closure charges.

In addition to adversely affecting Avnel's reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Recent Global Financial Condition

Recent global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Company to obtain equity or debt financing in the future on terms favourable to the Company. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Common Shares may be adversely affected.

Total Cash Costs of Gold Production

Avnel's total cash operating costs to produce an ounce of gold are dependent on a number of factors, including the grade of reserves, recovery, plant throughput, consumable costs and labour costs. In the future, the actual performance of the Company may differ from the estimated performance.

Hedging Activities

The profitability of the Company is directly related to the market price of gold. From time to time, the Company may engage in hedging agreements or activities to minimize the effect of declines in gold prices on its operating results. While these hedging activities may protect the Company against low gold prices, they may also limit the price that the Company can realize on the gold it produces where the market price of gold exceeds the gold price in such forward sales or option contracts. As a result, the Company may be prevented from realizing possible revenues in the event that the market price of gold exceeds the price stated in such forward sales or option contracts. In addition, the Company may experience losses if a counterparty fails to purchase under a contract when the contract price exceeds the spot price for the commodity.

Dependence on Limited Mining Properties

The Kalana Gold Mine, the Kalana Permit and the Fougadian Exploration Permit account for all of Avnel's mineral resources and reserves and the potential for the future generation of revenue. Any adverse development affecting the Company's operations such as, but not limited to, obtaining financing on commercially suitable terms, hiring suitable personnel and mining contractors, or securing supply agreements on commercially suitable terms, may have a material adverse effect on the Company's financial performance and result of operations.

Dependence on Cash Flows of Subsidiaries

Avnel is a holding company which conducts all of its operations through its subsidiaries, each of which is incorporated outside of North America. Avnel has no direct operations and no significant assets other than the shares of its subsidiaries. Therefore, Avnel is dependent on the cash flows of its subsidiaries to meet its obligations, including payment of principal and interest on any debt it incurs. The ability of Avnel's subsidiaries to provide it with payments may be constrained by the following factors:

- the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which they operate;
- the introduction of exchange controls and repatriation restrictions or the availability of hard currency to be repatriated;
- the ownership interests of other investors in Avnel's subsidiaries, including the possible inability of SOMIKA to pay dividends and the Malian Government's priority dividend right in respect of its interest in SOMIKA; and
- restrictions on the payment of dividends under the Foundation Agreement.

If Avnel is unable to receive sufficient cash from its subsidiaries, it may be required to refinance indebtedness, raise funds in a public or private equity or debt offering, or sell some or all of its assets. Avnel can provide no assurances that an offering of its debt or equity or a refinancing of debt can or will

be completed on satisfactory terms or that it would be sufficient to enable Avnel to make payment with respect to debt.

Competition

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, if it wishes, Avnel may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that Avnel will acquire any interest in additional operations that would yield reserves or result in commercial mining operations. If Avnel is not able to acquire such interests, this could have an adverse impact on future cash flows, earnings, results of operations and financial condition.

In addition, the mining industry has been impacted by increased worldwide demand for critical resources such as input commodities, drilling equipment, tires and skilled labour and these shortages have caused unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules.

Insurance and Uninsured Risks

Avnel's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Avnel's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although Avnel maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with its operations. Avnel may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Avnel or to other companies in the mining industry on acceptable terms. Avnel might also become subject to liability for pollution or other hazards which may not be insured against or which Avnel may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Avnel to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Due to Malian law, which states that insurance should be contracted only with local Malian insurance companies, Avnel has not had property insurance cover since July 31, 2009. The Company has been in negotiation with its UK insurance brokers and Malian insurance companies to place the insurance with a Malian insurance company and re-insure the risk in Europe. The Company has to date not been able to obtain re-insurance, although arrangements with Allianz are close to finalisation

Environmental Risks and Hazards

All phases of Avnel's operations are subject to laws and regulations relating to the protection of the environment, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the

generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Avnel's operations. Environmental hazards may exist at the Kalana Gold Mine which are unknown to Avnel at present and which have been caused by previous or existing owners or operators of the properties.

Government Regulation

Avnel's mineral exploration and planned development activities are subject to various laws governing prospecting, mining, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although management believes that Avnel's exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Avnel's mineral rights and interests are subject to Malian Government approvals, licenses and permits. Such approvals, licenses and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. No assurance can be given that Avnel will be successful in maintaining any or all of the various approvals, licenses and permits in full force and effect without modification or revocation.

Malian Government approvals and permits are currently, and may in the future be, required in connection with Avnel's operations. To the extent such approvals are required and not obtained, Avnel may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on Avnel and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Risk of International Operations

Avnel and its subsidiaries' only significant assets and operations are subject to various political, economic and other uncertainties, including, among other things, the risks of war and civil unrest, expropriation, nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, taxation policies, foreign exchange and repatriation restrictions, changing political conditions, international monetary fluctuations, currency controls and foreign governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. In addition, in the event of a dispute arising from

foreign operations, Avnel may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts of its choice. Avnel also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for Avnel to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on Avnel's operations.

Political Risk

The Republic of Mali has a short democratic history having held its first democratic presidential election in 1992. There is no assurance that future political and economic conditions in Mali and any other countries in which Avnel may establish exploration properties and royalties will not result in their governments adopting different policies respecting foreign ownership of mineral resources, taxation, rates of exchange, environmental protection, labour relations, repatriation of income or return of capital. The possibility that a future government in any of these countries may adopt substantially different policies, which might extend to the expropriation of assets, cannot be ruled out.

Mining Taxation

In Mali, the mining tax regime applicable to the Kalana Gold Mine and Concession is derived from a combination of mining and tax legislation and contractual mining conventions which include fiscal stability guarantees. The application of specific tax provisions and the stability guarantee may be subject to interpretation. In the event of a dispute, an international arbitration process may be required.

Need for Additional Mineral Reserves

Because mines have limited lives based on proven and probable mineral reserves, Avnel will be required to continually replace and expand its mineral reserves as its mines produce gold. The life-of-mine estimates included in this Annual Information Form in respect of the Kalana Gold Mine may not be correct. Avnel's ability to maintain or increase its annual production of gold in the future will be dependent in significant part on its ability to bring new mines into production and to expand mineral reserves at existing mines.

No Assurance of Titles or Boundaries

Titles to Avnel's properties may be challenged or impugned, and title insurance is generally not available. In particular, Avnel's right to the Kalana Gold Mine, the Kalana Permit and the Fougadian Exploration Permit may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, Avnel may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Estimation of Asset Carrying Values

The Company reviews its long-lived assets in property, plant and equipment for impairment in accordance with ASC Topic 360 (Property, Plant and Equipment). The Company evaluates the carrying value of its properties and equipment when events or changes in circumstances warrant and tests for recoverability of the long life asset value. An impairment loss is recognized for assets to be held and used when the estimated undiscounted future cash flows expected to result from the asset including ultimate disposition are less than its carrying amount. Impairment is measured by the excess of carrying amount over the fair value of the assets. With respect to properties, a test for recoverability is performed to determine if the estimated future cash flows exceed the carrying amount of the assets. Measurement of

any impairment loss is determined by the estimated fair value of the assets based on the best information available, comparable asset values in the market and the use of valuation techniques. Although management has made a reasonable estimate of factors based on current conditions and information, assumptions underlying future cash flows are subject to significant risks and uncertainties. Estimates of undiscounted future cash flows are dependent upon estimates of metals to be recovered from proven and probable ore reserves, and to some extent, identified resources beyond proven and probable reserves, future production and capital costs and estimated metals prices (considering current and historical prices, forward pricing curves and related factors) over the estimated remaining mine life. It is reasonably possible that changes could occur in the near term that could adversely affect our estimate of future cash flows to be generated from our operating properties.

Currency Risks

Avnel's revenue from financing activities is received in either United States dollars or Canadian dollars while a significant portion of its operating expenses are incurred in CFA francs and other foreign currencies. From time to time, Avnel will borrow funds and will incur capital expenditures that are denominated in foreign currency. Accordingly, foreign currency fluctuations may adversely affect Avnel's financial position and operating results.

Key Personnel

Avnel depends on a relatively small number of key employees, the loss of any of whom could have an adverse effect on Avnel. Avnel does not have key person insurance on these individuals.

Avnel requires specialist skills such as geologists, mining engineers, metallurgical engineers, electrical and mechanical engineers, financial accountants, human resource managers and procurement staff to operate the Kalana Gold Mine and conduct exploration on the Kalana Permit and the Fougadian Exploration Permit. At this time, there is significant competition for these skills within the mining industry and there is no guarantee that Avnel will be able to recruit and retain suitably qualified and experienced personnel.

Dividend Policy

No dividends on the Common Shares have been paid by Avnel to date. Payment of any dividends will be at the discretion of Avnel's board of directors after taking into account many factors, including Avnel's operating results, financial condition and current and anticipated cash needs.

In addition, cash from operations will be earned largely by SOMIKA. Dividends are payable from SOMIKA only with the approval of the board of directors of SOMIKA, which includes 2 nominee directors of the Malian Government and 5 directors appointed by Avnel. The Malian Government also has a priority dividend entitlement in respect of dividends paid by SOMIKA.

Future Sales of Common Shares by Existing Shareholders

Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair Avnel's ability to raise capital through future equity offerings.

Potential Conflicts of Interest

Elliott and the Fern Trust owned 84.29% of the outstanding Common Shares as at December 31, 2010. Accordingly, Elliott and the Fern Trust have the ability to influence matters requiring shareholder approval, including the election of directors. Circumstances may occur in which the interests of Elliott and the Fern Trust could conflict with the interests of the other shareholders of Avnel. There can be no assurance that any such conflicts of interest will be resolved in favour of these other shareholders.

Elliott and the Fern Trust were also the holders of the Convertible Loan Notes and the Term Loan Notes which provided the holders with the right to restrict the borrowing abilities of Avnel.

An affiliate of Elliott provided the Company with a Loan Facility which was fully equitised on August 5, 2010.

Dilution

Issuances of additional securities pursuant to financings will result in dilution of the equity interests of persons who are currently shareholders or who become shareholders of Avnel.

Hazardous Materials

Certain hazardous materials are presently stored on the Kalana Gold Mine site, including diesel fuel, arsenic trioxide and sulphide concentrates tailings that remain from the SOGEMORK operations in the 1980s.

Electricity Supply

The Kalana Gold Mine receives 100% of its electricity supply pursuant to an agreement with a corporation affiliated with the Malian Government. Termination or non-renewal of this agreement would require the Company to seek an alternative power source for the Kalana Gold Mine.

Diesel generators on site can provide sufficient power for water pumping from underground and limited operations.

Environmental Impact of Mine Operations

The mining and treatment processes at the Kalana Gold Mine have resulted in the emission of concentrations of certain chemicals in surface water, such as arsenic, that are at levels below World Health Organization guideline values. In the future, the presence of these or other chemicals in tailings, gasses discharged from the calcine oven stack or other discharge sources could potentially rise to unacceptable emission levels.

Unionized Workforce

Employees of SOMIKA are members of a Malian national trade union. The terms of employment of SOMIKA's employees are determined by the provisions of a collective agreement which provides for a right to strike. There is no guarantee that, upon expiry of the existing collective agreement, Avnel will be able to successfully negotiate a new collective agreement. Strikes or lockouts may restrict Avnel's ability to produce gold at the Kalana Gold Mine or complete exploration projects on the Kalana Permit.

DIVIDENDS

Avnel has not, since the date of its incorporation, declared or paid any dividends on Common Shares and does not currently have a policy with respect to the payment of dividends. For the foreseeable future, Avnel anticipates that it will retain future earnings and other cash resources for the operation and development of its business. The payment of dividends in the future will depend on the earnings, if any, and Avnel's financial condition and such other factors as the directors of Avnel consider appropriate.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Avnel consists of an unlimited number of Common Shares. As at December 31, 2010, there were 166,661,505 Common Shares issued and outstanding and 51,916,974 outstanding options and warrants. At the date of this Annual Information Form, Avnel has issued a total of 166,667,203 Common Shares and 52,411,276 options and warrants.

The following is a summary of the rights, privileges, restrictions and conditions attaching to each class of outstanding authorized security of Avnel.

Common Shares

Avnel is authorized to issue an unlimited number of Common Shares. The holders of the Common Shares are entitled to:

(a) vote at all meetings of shareholders of Avnel, except meetings at which only holders of a specified class of shares are entitled to vote;

(b) receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Avnel, any dividends declared by Avnel, and

(c) receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Avnel, the remaining property of Avnel upon the liquidation, dissolution or winding-up of Avnel, whether voluntary or involuntary.

Warrants and Options

Avnel warrants and options consist of:

(a) 2,000,000 warrants to IAMGOLD issued on August 10, 2009, which can be exercised at a price of C$0.45 per warrant to obtain one Avnel common share, expiring on August 10, 2012;

(b) 2,500,000 amended CEO options issued on February 23, 2005, which can be exercised at a price of US$0.275 per option to obtain one Avnel common share, expiring on February 23, 2013;

(c) 3,969,000 Employee Long Term Incentive Plan options issued between August 2005 and 30, March 2011, which can be exercised at a price of between CS$0.22 and C$0.76 per option to obtain one Avnel common share, expiring between August 2015 and December 2016;

(d) 43,066,332 Private Placement warrants issued on August 5, 2010, which can be exercised at a price of C$0.35 per warrant to obtain one Avnel common share, expiring on August 5, 2013;

(e) 1,375,944 Private Placement Broker Warrants issued on August 5, 2010, which can be exercised at a price of C$0.20 per warrant to obtain one Avnel common share and one half warrant exercisable at C$0.35 per warrant , expiring on August 5, 2013.

MARKET FOR SECURITIES

Trading Price and Volume

Common Shares

The Common Shares have been listed and posted for trading on the TSX since June 30, 2005 under the trading symbol "AVK". The following table sets forth the reported high and low sale prices and the trading volume for the Common Shares on the TSX, for the periods indicated.

To be updated

	Trading of Common Shares on the Toronto Stock Exchange		
Period	**High (C$)**	**Low (C$)**	**Volume**
2010			
January	0.18	0.15	25,900
February	0.21	0.15	125,800
March	0.29	0.19	70,800
April	0.26	0.20	8,400
May	0.25	0.18	46,400
June	0.25	0.16	42,100
July	0.22	0.17	42,700
August	0.31	0.19	68,500
September	0.28	0.23	28,900
October	0.49	0.22	109,200
November	0.38	0.28	50,500
December	0.36	0.31	38,300

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets forth, as at December 31, 2010, unless otherwise indicated, the names and municipalities of residence, the position held with Avnel and the principal occupation of each of the current directors and senior officers of Avnel.

Name, Municipality of Residence and Present Position with Avnel	Principal Occupation for the Past Five Years	Period as Director[(1)]
Howard B. Miller [(2)] London, United Kingdom Chief Executive Officer and Chairman of the Board of Directors	Mr. Miller is currently the Chief Executive Officer and Chairman of the Board of Directors of Avnel. He has also served as a Director of Anglesey Mining plc (LSE) since 2001. In addition, Mr. Miller has been a Director of Avnel Cayman since its incorporation in 2001. Prior to that, from 1993 to 2001, Mr. Miller was a founding Director of Nelson Gold (later Nelson Resources Limited) (TSX). He also served as Chief Executive Officer of Tahera Corporation (TSX) from 1998 to 2001.	February, 2005 - present
Anthony M. Bousfield St. Andrews, Guernsey Director	Mr. Bousfield has been the Chief Executive Officer of Merlin Group Securities Limited for over 10 years and retired from this position on December 31, 2008.	February, 2005 - present
Ibrahim Kantao [(3), (6), (8)] Bamako, Mali Director	Mr. Kantao has held the position of Director General of AEL Mali SARL since August 2003, a company providing equipment to the mining industry in Mali. Prior to that, he served as Director General of AEL Chemico SARL from 2000 to 2003 and as Director General of Le Directeur National de la Geologie et des Mines, an organisation of the Government of Mali, from 1995 to 2000.	February, 2005 - present
John Kearney [(3), (4), (7), (8)] Toronto, Ontario, Canada Director	Mr. Kearney has been Chairman and President of Canadian Zinc Corporation (TSX) since June 2003 and has held the positions of Chairman, Chief Executive Officer and director of Labrador Iron Mines Holding Limited (TSX) since May 2007. He has also served as Chairman and Director of Conquest Resources Limited (TSXV) since 2002; Anglesey Mining plc (LSE) since 1994; Scandinavian Minerals Limited (TSX) from 2003 to 2008; Sulliden Exploration Inc. (TSX) from 2005 to 2009; and as a Director of Minco plc (AIM) since 1997 and Chairman since 2008.	February, 2005 - present
Derek Kyle [(3), (5), (8)] Johannesburg, South Africa Director	Mr. Kyle is currently an independent mineral advisor to the mining industry. Between 1997 and July 2005, Mr. Kyle was the Founder, Chairman and Managing Director of the Mineral Corporation. Mr. Kyle also served as a director of AfriOre SA Limited until late 2006.	February, 2005 - present
Jonas U. Rydell [(9)] London, United Kingdom Director	Mr. Rydell has been employed as a Securities Analyst with Elliott Advisors (UK) since April 2004. Prior to that, he was a Vice President of Credit Suisse First Boston in London, UK from 1998 to 2004. Mr. Rydell has also been a director of Public Service Properties Investments Limited (AIM) since 2007.	February, 2005 - present

Name, Municipality of Residence and Present Position with Avnel	Principal Occupation for the Past Five Years	Period as Director[1]
Roy Meade [10] Bamako, Mali Director	Mr. Meade was appointed Executive Director, Operations of the Corporation on January 1, 2011. He was appointed Director Mining on January 1. He served as Chief Executive Officer of Avnel from February 2005 to September 2008. He also previously served as Chief Executive Officer of Avnel Cayman from September 2003 to February 2005. He served as Director General of SOMIKA from January 1, 2009 to December 31, 2010 and is based in Mali. He continues to fulfil this position.	February, 2005 - present
Alan McFarlane Hertfordshire, United Kingdom Vice President Finance	Mr. McFarlane was appointed Vice President Finance on 1 February 2008. He was previously Vice President Finance and Company Secretary of Avocet Mining Plc, an AIM listed mining company with goldmines in South East Asia	N/A

Notes:

(1) Each director is elected for a term expiring at the next annual general meeting of Avnel.
(2) Mr. Miller was appointed Chief Executive Officer on September 30, 2008. Mr. Miller's family are the beneficiaries of the Fern Trust which as at December 31, 2010 owned 38,502,022 Common Shares.
(3) Member of the sole committee of the board of directors of Avnel (the "Committee") which performs the functions of an Audit Committee, a Compensation Committee, a Corporation Governance and Nominating Committee, and a Reserves, Resources and Environmental Committee function.
(4) Chairman of the Committee in respect of its Audit Committee function and its Corporation Governance and Nominating Committee function.
(5) Chairman of the Committee in respect of its Reserves, Resources and Environmental Committee function.
(6) Chairman of the Committee in respect of its Compensation Committee function.
(7) Mr. Kearney previously served as a non-executive director of McCarthy Corporation plc from July 2000 to March 2003. Subsequent to his tenure as a director, in June 2003 McCarthy Corp. plc proposed a voluntary arrangement with its creditors pursuant to the legislation of the United Kingdom.
(8) Messrs. Kearney, Kantao and Kyle are independent directors.
(9) Mr. Rydell is a securities analyst with Elliott Advisors (UK), part of the group consisting of Elliott International, L.P., Elliott Associates L.P., Manchester Securities Corp. and the Liverpool Limited Partnership (which, as at December 31, 2010, collectively, owned or exercised beneficial control over 101,981,945 Common Shares).
(10) Mr. Meade stepped down as Chief Executive Officer with effect as of September 30, 2008.

As at the date of this Annual Information Form, the current board of directors and senior officers of Avnel beneficially own, directly or indirectly, as a group, 140,483,967 Common Shares representing approximately 84% of all outstanding voting securities of Avnel.

Conflicts of Interest

Certain directors and officers of Avnel are directors, officers and/or shareholders of other private and publicly listed companies. While there is potential for conflicts to arise, the board of directors of Avnel has not received notice from any director or officer of Avnel indicating that such a conflict currently exists. Conflicts of interest affecting the directors and officers of Avnel will be governed by the Guernsey Act and other applicable laws. In the event that such a conflict of interest arises at a meeting of the board of directors of Avnel, a director who has such a conflict must disclose the nature and extent of his interest and abstain from voting for or against matters concerning the venture.

Elliott and the Fern Trust owned 84.25% of the outstanding Common Shares as at December 31, 2010. Accordingly, Elliott and the Fern Trust have the ability to influence matters requiring shareholder approval, including the election of directors. Circumstances may occur in which the interests of Elliott and the Fern Trust could conflict with the interests of the other shareholders of Avnel. There can be no assurance that any such conflicts of interest will be resolved in favour of these other shareholders.

Elliott and the Fern Trust were also the holders of the Convertible Loan Notes and the Term Loan Notes which provided the holders with the right to restrict the borrowing abilities of Avnel. This debt was fully equitised on August 5, 2010.

AUDIT COMMITTEE

The Audit Committee's Charter

The audit committee of the board of directors of Avnel (the "Audit Committee") and the board of directors adopted a charter of the Audit Committee (the "Audit Committee Charter") on February 23, 2005. The Audit Committee Charter is set out in full in Schedule "A" to this Annual Information Form. The text of the Audit Committee Charter is also available on SEDAR at www.sedar.com.

Composition of the Audit Committee

As at the date hereof, the members of the Audit Committee of the Company are John Kearney (chair), Ibrahim Kantao and Derek Kyle, all of whom are financially literate and "independent" within the meaning of National Instrument 52-110 – Audit Committees ("NI 52-110").

Relevant Education and Experience

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

John Kearney

John Kearney, Chairman of the Audit Committee, is independent and financially literate. He holds degrees in law and economics from University College Dublin, a Masters Degree in Business Administration from Trinity College, Dublin and obtained the designation Associate of the Chartered Institute of Secretaries and Administrators (ACIS) in which he completed advanced accounting courses. He is a member of the Law Society of Ireland.

Mr. Kearney has been an officer and director of public companies for a period in excess of twenty-five years. He has an in depth understanding of the accounting principles used by the Company to prepare its financial statements and has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves by the Company. He has extensive experience in supervising the preparation, auditing, analyzing and evaluation of financial statements with accounting issues at least comparable to the financial statements and the issues that can reasonably be expected to be raised by the Company's financial statements. He has an in depth understanding of procedures for financial reporting and the application of internal controls.

Derek Kyle

Derek Kyle is a member of the Audit Committee and is independent and financially literate. He holds a BSc and MSc in Geology from Rhodes University in South Africa. He is a Fellow of the Geological Society of South Africa and has sat on many advisory boards in South Africa.

Mr. Kyle has been an officer and director of public companies for a period in excess of 10 years. He was the Chairman of the Mineral Corporation from 1997 to 2005. He was the General Manager and Director responsible for New Business development for Avmin, a major mining company in South Africa. He was a director of AfriOre, a publicly traded exploration company. He has an understanding of the accounting principles used by the Company to prepare its financial statements and has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves by the Company. He has extensive experience in reviewing financial statements and the procedures for financial reporting and application of internal controls.

Ibrahim Kantao

Ibrahim Kantao is a member of the Audit Committee and is independent and financially literate. He holds an MSc in Petroleum Geology from Azerbaijan University.

Mr. Kantao has been the Director General AEL Mali SARL since August 2003 and has been responsible for reviewing and analyzing financial statements. He has experience in the application of internal controls and financial reporting procedures. The Company's main business activities are located in Mali and he has extensive knowledge of the laws and fiscal regime applicable to the subsidiary in Mali. Mr. Kantao previously held the post of National Director of DNGM, the government organization responsible for development and control of the mining industry in Mali. In this position, he was responsible for the administration of the department and reported to the Minister of Mines and Energy.

Pre-Approval Policies and Procedures

The Audit Committee Charter provides that pre-approval of the Audit Committee is required for the engagement of non-audit services as provided for in NI 52-110, and the Audit Committee must pre-approve all non-audit services to be provided to the Company or its subsidiaries, unless otherwise permitted by NI 52-110.

External Auditor Service Fees

For the financial years ended December 31, 2010 and December 31, 2009, Ernst & Young LLP charged the following fees to the Company:

Services	**2010 Fees ($)**	**2009 Fees ($)**
Audit Fees	**205,000**	**200,000**
All Other Fees[(2)]	**12,500**	**Nil**

Notes:

(1) The aggregate fees billed for assurance and related services by the Company's auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the 'Audit Fees' Column.
(2) Other fees include advice relating to the IFRS conversion.

PROMOTERS

Elliott and the Fern Trust, significant shareholders of Avnel, have taken initiative in organizing the business and affairs of Avnel and, accordingly, may be considered to be promoters of Avnel within the meaning of applicable securities legislation. The table below shows the parties' shareholdings in the Company as at December 31, 2010.

Name of Promoter	Number of Common Shares beneficially owned or over which control is exercised as at December 31, 2010	Percentage as at December 31, 2010
Fern Trust	38,502,022	**23%**
Elliott	101,981,945	**61%**
Total	140,483,967	**84**%

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Avnel is not the subject of any legal proceedings material to Avnel, to which Avnel is a party or to which any of its properties is subject and no such proceedings are known to be contemplated with the exception as noted in note 16 to the Financial Statements (Malian Labour Tribunal). In addition, there were no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the 2010 financial year, no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, and no settlement agreements entered into by the Company with a court relating to securities legislation or with a securities regulatory authority during the 2010 financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Itemised below are all material transactions entered into during the three years prior to the date of this Annual Information Form or during the current financial year with any director, executive or shareholder of Avnel or any associate or affiliate of such person that have materially affected or will materially affect the Company:

(a) On April 14, 2008, Elliott, through one of its affiliates, Manchester Securities Corporation, provided Avnel with a $3,000,000 term loan due on December 31, 2009, secured by a security interest granted over all of the ordinary shares of Avnel Cayman held by the Company and Avnel's interest under an intercompany loan agreement

among Avnel, Avnel Cayman and SOMIKA. As at December 31, 2009 $2,000,000 had been drawn down with the term loan being extended to 30 June 2010.

(b) Kalana Mine Services, a London-based, wholly-owned subsidiary of Avnel Cayman, provides purchasing, facilitation, and expediting services and technical assistance to SOMIKA at cost plus a fee of 7.5%

(c) SOMIKA made purchases of $556,000 in 2010 of explosives from African Explosives Limited ("AEL") on normal commercial terms. The Company also has an ongoing supply agreement with AEL Mali SARL. Mr. Ibrahim Kantao, a director of Avnel and SOMIKA, is also a director of AEL and Director General of AEL Mali SARL. In the absence of other competitive sources, it is anticipated that purchases of explosives from AEL will continue on a similar basis.

(d) The premises occupied by Avnel and Kalana Mine Services in London are leased at an annual rental of approximately $123,000 per annum excluding UK Value Added Tax from a company associated with the Fern Trust, one of the promoters of the Company.

(e) On April 14, 2008, Avnel issued 6,542,857 Common Shares to Elliott International L.P. and The Liverpool Limited Partnership, an affiliate of Elliott, and two other Avnel shareholders at a price of C$0.35 per Common Share for gross proceeds of C$2,290,000 ($2,341,000) pursuant to a non-brokered private placement

(f) On August, 5, 2010, Avnel issued 40,858,691 to Elliott and 30,633,691 to Fern to satisfy in full the debts owed by the Company.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc., located at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1

MATERIAL CONTRACTS

The only material contracts entered into within the most recently completed financial year or prior to the most recently completed financial year and still in force which are required to be filed on SEDAR pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators are as follows:

(a) the Foundation Agreement – See "*General Development of the Business – Overview*";

(b) the Shareholders' Agreement - See "*General Development of the Business – Overview*";

(c) the Operatorship Agreement - See "*General Development of the Business – Overview*"; and

(d) the Option Agreement - See "*General Development of the Business – Overview*".

INTERESTS OF EXPERTS

Ernst & Young LLP are the Company's external auditors and have reported to the shareholders on the Company's consolidated financial statements for the year ended December 31, 2010 in their report dated March 31, 2011. In connection with their audit, Ernst & Young LLP has confirmed that they are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario**.**

Information of an economic (including economic analysis), scientific or technical nature regarding the Kalana Gold Mine and the Kalana Permit is included in this Annual Information Form based upon the following:

(a) "Kalana Gold Mine Technical Report" dated February 20, 2005 prepared by G.M. Greenway, Principal Resource Geologist, and D.H. Kullmann, Principal Consultant Mining Engineer, of Snowden Mining Industry Consultants (Pty) Ltd., each of whom is a "Qualified Person" in accordance with National Instrument 43-101; and

(b) "Technical Report — Kalana Phase I Exploration" dated November 4, 2004 prepared by G.M. Greenway, Principal Resource Geologist, of Snowden Mining Industry Consultants (Pty) Ltd., who is a "Qualified Person" in accordance with National Instrument 43-101.

All of the authors of the Technical Reports are independent of Avnel within the meaning of National Instrument 43-101 and do not have an interest in the property of Avnel. Information of a scientific or technical nature in this Annual Information Form arising since the date of the Technical Reports has been prepared under the supervision of Roy Meade (a director of the Company) and Andrew Killick (a former consultant to the Company), both of whom are non-independent "Qualified Persons" as such term is defined in National Instrument 43-101 and whose interest in Avnel represents less than 1% of the issued and outstanding Common Shares.

ADDITIONAL INFORMATION

Additional information relating to the Company, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's disclosure documents found on SEDAR at www.sedar.com.

Additional information, including the Company's financial statements and MD&A for its most recently completed financial year ended December 31, 2010 and interim MD&A and financial statements for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010 and the Technical Reports may be found on SEDAR at www.sedar.com and www.avnelgold.com

GLOSSARY OF TECHNICAL TERMS

"**alluvial**" relates to deposits of natural geological materials made by flowing water, washed away from one place and deposited in another.

"**Anomaly**" means a local feature distinguishable in a geophysical or geochemical measurement over a larger area, of which said feature is considered capable of being associated with commercially valuable mineral deposits.

"**As**" is the chemical symbol for arsenic.

"**assay**" means an analysis to determine the presence, absence, and quantity of one or more metallic components.

"**Au**" is the chemical symbol for gold.

"**Total Cash cost**" is calculated in accordance with the Gold Institute Standard wherein cash cost equals the sum of cash operating costs inclusive of production-based taxes and management fees and may include certain cash costs incurred in prior period such as stockpiling and stripping costs and may exclude certain cash costs incurred in the current period that relate to future production.

"**cut-off**" means the grade above which mineralized material is considered to be ore.

"**diorite**" means a medium to coarse grained igneous rock consisting essentially of plagioclase (feldspar) with hornblende and small amounts of quartz (10%).

"**dolerite**" means a medium to fine grained basic intrusive rock composed mostly of pyroxenes and sodium-calcium feldspar.

"**duplicate**" means a sample that has been split from another to check the field sampling or laboratory's precision.

"**emplaced**" means the intrusion of a body of igneous rock within another rock.

"**en-echelon**" means parallel or sub-parallel, closely-spaced, overlapping or step-like minor structural features in rock, such as veins and tension fractures that are oblique to the overall structural trend.

"**fault**" is a geological term that refers to a fracture or zone of fractures in the earth's crust along which the rock units on each side of the fracture have moved relative to one another.

"**feasibility study**" means a comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.

"**felsic**" means light coloured rock containing an abundance of any of the following: feldspars, felspathoids and silica.

"**fluvial**" means an environment of deposition by a river.

"**footwall**" is the underlying side of a fault, ore body or mine, especially the wall rock beneath an inclined vein or fault.

"**g/t**" means grams per tonne.

"**geochemical**" means trace quantities of elements of a certain area.

"**geophysical surveys**" means studies conducted to measure the physical characteristics of a certain area.

"**granodiorite**" means a medium to coarse grained igneous rock consisting essentially of quartz (20% to 40%), plagioclase (feldspar) and hornblende or biotite.

"**graphitic**" means the rock contains or is derived from graphite, a soft form of carbon.

"**indicated mineral resource**" is that part of a Mineral Resource for which quantity and grade or quality, densities, shape, and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit.

"**inferred mineral resource"** is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity.

"**intercalations**" means the intrusion or alternation of a rock layer within other rock layers.

"**km**" means kilometres.

"**kW**" means kilowatts.

"**lateritic**" means highly weathered red subsoil or material rich in secondary oxides of iron, aluminium, or both, nearly devoid of bases and primary silicates, and commonly with quartz and kaolinite.

"**leach**" is the dissolution of soluble constituents from a rock or ore body by the natural or artificial action of percolating solutions.

"**lithology**" means that branch of geology that deals with the classification of geological units into chronologic order.

"**lithologies**" means the rock types present in a stratigraphic sub-division.

"**m**" means metres.

"**metasediments**" means sedimentary rocks altered by heat, pressure or chemically active fluids.

"**mineralization**" refers to the presence of a mineral of economic interest in a rock.

"**measured mineral resource**" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that it can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit.

"**mRL**" means metres, Relative Level.

"**open pit**" means a surface working pit open to daylight, such as a quarry.

"**ore**" means a natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit, or from which some part may be profitably separated.

"**ounce**" is a unit of weight equal to 31.1 grams.

"**Or-Bagoe**" is a soil geochemistry program conducted by the United Nations Development Program in the 1980s in Mali.

"**placers**" mean deposits of sand or gravel that contain particles of gold or other heavy minerals of value. The common types are stream gravels and beach sands.

"**ppb**" means parts per billion.

"**ppm**" means parts per million.

"**probable reserves**" means the economically mineable part of an indicated, and in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

"**proven reserves**" is the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

"**pyrite**" means iron sulphide (FeS_2) mineral.

"**RC**" means Reverse Circulation, a style of drilling which yields rock chips rather than a core.

"**regolith**" means the loose incoherent mantle of rock fragments, soil and blown sand that is generated by the process of weathering and erosion which rests on solid rock.

"**ROM**" means Run of Mine, ore bearing rock directly derived from the mining process.

"**sample**" means a small amount of material that is supposed to be typical or representative of the object being sampled.

"**saprolite**" means the soft, earthy, typically clay-rich, thoroughly decomposed rock, formed in place by chemical weathering of igneous, sedimentary and metamorphic rocks. It may form a layer or cover as much as 100m thick. It is one of the recognized units of the weathering profile of West Africa.

"**sedimentary**" means a rock formed from cemented or compacted sediments.

"**sediments**" means the debris resulting from the weathering and break-up of pre-existing rocks.

"**splay**" means the branching of a vein or fault.

"**stockworks**" mean mineral deposits consisting of a three-dimensional network of planar to irregular veinlets closely enough spaced that the whole mass can be mined.

"**stope**" means the underground working from which ore is extracted.

"**stratigraphies**" means rock strata that can be correlated and classified into units based on age and their environment of formation.

"**strike**" is a geological term which refers to the compass direction along which the plane of a layered rock unit or fault intersects the horizontal.

"**supergene**" means an ore mineral formed by effects (usually oxidization and secondary sulphide enrichment) of descending ground water.

"**sweepings**" means the ore material left behind that will be recovered during the final process in stoping operations, in which the footwall is thoroughly cleaned to remove the last portion of broken ore and fines.

"**t**" means tonnes.

"**tailings**" means the material that remains after recoverable metals or minerals of economic interest have been removed from ore through milling.

"**Technical Report**" means a report prepared by a qualified person in terms of National Instrument 43-101 Standards for Disclosure for Mineral Projects.

"**tonne**" means a metric tonne, being 1,000 kilograms (2,204 pounds).

"**tpa**" means tonnes per annum.

"winze" means a vertical or inclined underground development that has been excavated from the top downward.

Schedule "A"

AVNEL GOLD MINING LIMITED

CHARTER OF THE AUDIT COMMITTEE

The following is the charter of the Committee in respect of its Audit Committee function.

I. Mandate

The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Avnel Gold Mining Limited (the "Corporation") to assist the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting process and internal controls for the Corporation. The external auditors will report directly to the Committee and the Committee shall have direct communication channels with the external auditors of the Corporation. The external auditors shall be ultimately accountable to the Board and the Committee as representatives of the shareholders. The Committee's mandate and responsibilities are to:

- recommend to the Board the external auditors to be nominated and the compensation of such auditor;
- oversee and monitor the work and performance of the Corporation's external auditors, including meeting with the external auditors and reviewing and recommending all renewals or replacements of the external auditors and their remuneration;
- pre-approve all non-audit services to be provided to the Corporation by the external auditors;
- review the financial statements and management's discussion and analysis (MD&A) and annual and interim financial results press releases of the Corporation;
- oversee the integrity of internal controls and financial reporting procedures of the Corporation and ensure implementation of such controls and procedures;
- provide oversight to any related party transactions entered into by the Corporation.

II AUTHORITY OF THE AUDIT COMMITTEE

The Committee shall have the authority to:

(a) engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) set and pay the compensation for advisors employed by the Audit Committee; and

(c) communicate directly with the external auditors.

II. COMPOSITION AND MEETINGS

1. The Committee and its membership shall meet all applicable legal, regulatory and listing requirements, including those of all applicable securities regulatory authorities.

2. The Committee shall be composed of three directors as shall be designated by the Board from time to time. The members of the Committee shall appoint from among themselves a member who shall serve as Chair. A minimum of two members of the Committee present either in person or by telephone shall constitute a quorum.

3. The Committee members will be elected annually at the first meeting of the Board following the annual general meeting of shareholders.

4. Each member of the Committee shall be "independent" and shall be "financially literate" (as each such term is defined in Multilateral Instrument 52-110) and shall be an "unrelated director" (as such term is defined in the TSX Company Manual). At least one member of the Committee shall have accounting or related financial expertise.

5. The Committee shall meet at least quarterly, as circumstances dictate or as may be required by applicable legal or listing requirements.

6. Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.

III. Responsibilities

1. The Committee shall review the annual audited financial statements to satisfy itself that they are presented in accordance with applicable generally accepted accounting principles ("GAAP") and report thereon to the Board and recommend to the Board whether or not same should be approved, prior to their being filed with the appropriate regulatory authorities. The Committee shall also review the interim financial statements.

2. The Committee oversees the integrity of internal controls and financial reporting procedures of the Corporation and ensures implementation of such controls and procedures.

3. The Committee shall review any internal control reports prepared by management and the evaluation of such report by the external auditors, together with management's response.

4. The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, management's discussion and analysis and annual and interim earnings press releases before the Corporation publicly discloses this information.

5. The Committee shall review management's discussion and analysis relating to annual and interim financial statements and any other public disclosure documents, including interim earnings press releases, before the Corporation publicly disclose this information.

6. The Committee shall meet no less frequently than annually with the external auditors and to review accounting practices, internal controls and such other matters as the Committee deems appropriate (including the establishment of the independence of the external auditor). The Committee shall be directly responsible for overseeing the work of the external auditor.

7. The Committee shall establish procedures for:

   a. the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and

   b. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

8. The Committee shall annually make recommendations to the Board regarding the selection, appointment and fees of the independent auditors.

9. The Committee shall provide oversight to any related party transactions entered into by the Corporation.

10. In the event that the Corporation wishes to retain the services of the Corporation's external auditors for tax compliance or tax advice or any non-audit services, the Audit Committee, must first pre-approve any such non-audit services (however, the Committee may delegate such approval to one independent committee member if desired, subject to compliance with applicable laws). The Audit Committee shall maintain a record of non-audit services approved by the Audit Committee for each fiscal year and provide a report to the Board on an annual basis.

11. The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.

12. The Committee shall perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary.