



## **AVNEL GOLD MINING LIMITED**

### **AVNEL GOLD MINING LIMITED (AVK: TSX) ANNOUNCES 2006 ANNUAL RESULTS**

**Period ended December 31, 2006.  
For Immediate Release: April 2, 2007**

**Gold production at the Kalana Gold Mine increases 52% to 22,638 ounces in 2006 with underground head grade of 31.6g/t**

#### **Results**

Gold production at the Company's Kalana Mine increased by 52% from 14,923 ounces in 2005 to 22,638 ounces in 2006 and cash costs reduced to \$394 per ounce of gold sold, down from \$484 per ounce sold in 2005. The increase in production is due to higher underground grade (31.6g/t) mined and higher gold recoveries (90.1%) in the plant offsetting a fall in mill production of 20%.

Avnel Gold Mining Limited ("Avnel" or the "Company") recorded a net loss of \$2.7 million (\$0.05 per share) for the twelve months ended December 31, 2006 and a net loss of \$1.4 million (\$0.03 per share) for the fourth quarter compared to net losses of \$7.1 million (\$0.29 per share) and \$1.7 million (\$0.03 per share) respectively for the same periods of 2005. Revenue increased from \$5.7 million in 2005 to \$11.9 million in 2006 due to higher gold production and higher gold price of \$513/oz (\$425/oz in 2005).

Mine operating costs for the year ended December 31, 2006 amounted to \$9.4 million compared with \$6.6 million in 2005. The reasons for the increase were due to higher labour costs per employee, higher number of employees, escalation of materials costs, adverse movement in the U.S. Dollar to CFA exchange rate, taxes and one-off costs relating to mechanical breakdowns and employee costs. Cash operating costs of \$317 per tonne milled in 2006 was significantly higher than the cost per tonne in 2005 mainly because of 20% less tonnes milled and a 42% increase in operating costs. Cash operating costs per ounce sold of \$394 per ounce in 2006 decreased significantly from \$484 per ounce in 2005 due to the increase in gold production.

#### **Operations**

Avnel's principal asset is an 80% interest in Societe des Mines d'Or De Kalana ("SOMIKA"). The State of Mali holds the remaining 20% interest in SOMIKA. SOMIKA is the owner and operator of the Kalana Gold Mine located in the southwest of Mali and is the holder of an exploration permit in respect of 387.4 kilometres squared in south western Mali. Avnel's 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.

The mine was acquired by Avnel in late 2002 following which the existing plant and infrastructure were upgraded and mining operations were resumed by SOMIKA in January 2004 with commercial production commencing in March 2004. During the years 2004, 2005

and 2006 Avnel has been engaged on increasing gold production from 7,396 ounces in 2004, to 14,823 ounces in 2005 and to 22,638 ounces in 2006. At the same time, Avnel has invested significantly in capital expenditures and underground development required to expand production to a planned annual rate of 60,000 tonnes. The mine development was behind schedule in 2005 and 2006 and it is now planned that underground production will increase from 23,000 tonnes in 2006 to 32,000 tonnes in 2007 with the objective of developing the mine to attain its design throughput rate of 60,000 tonnes per annum on a sustainable basis.

Production data for the Kalana Mine for the periods ended December 31, 2006 and 2005 are as follows:

	2006	2005
Tonnes milled	24,116	34,885
Gold grade - grams per tonne (g/t)	28.2	15.5
Recovery rate - %	90.2%	86.1%
Gold production - ounces	22,638	14,923
Cost per tonne milled	\$317	\$155
Operating cost per ounce of gold sold	\$394	\$484

Underground mining production decreased in 2006 as mining was confined to vein 1 below the 100 level. Mining continued down dip, with increasing distance from the 100 level, increasing the difficult mining conditions. Stopping productivity improved as the mining crews gained experience with improved training from expatriate supervisors. Two new mining areas were planned to be mined during the second half of 2007. These areas were not mined for the reasons described below.

It was planned to mine 9,000 tonnes from a new ore reserve block (Vein 18 North) during the second half of 2006. The stopping block was accessed by a winze from 100 level to 120 level. Water was intersected on the vein when it was exposed by development. It was difficult to continue development on 120 level due to the water inflow and it was decided to stop development. This ore reserve block will now be mined from 150 level in late 2007. The ore reserve block will be developed up dip from 150 level to 120 level, allowing water to drain to 150 level. This water will flow via boreholes to the 180 level pump station at No 2 Shaft which is planned to be operational by September 2007.

It was planned to mine 4,000 tonnes from vein 18A south on 160 level. Development of the vein from 160 to 150 level was planned to be complete by September with stopping commencing in quarter 4. 160 level is accessed from the sub incline shaft. When the haulage intersected vein 18A, the vein was a low grade, stockwork. Based on this new information, the existing interpretation of vein 18A was reviewed. The interpretation was based on 2 boreholes spaced 50m apart. It is possible that the stockwork changes to the main vein south of the existing haulage. Development and diamond drilling will test the vein during the next few months.

Underground grades in 2006 significantly exceeded the mineral reserve grades. This was attributable to higher gold content than predicted as well as improved quality of mining leading to less dilution. The gold grade of underground ore mined of 31.6 g/t in 2006 was 85% higher than that obtained in the previous year (17.1g/t). The mill grade of 28.2g/t (2005 – 15.5 g/t) obtained was lower than the underground grade as it was reduced by the processing of 3,627 tonnes of coarse sand (2005 – 4,614 tonnes) at 5.5 g/t (2005 - 4.9 g/t).

During 2006, 20,000 tonnes were mined from Vein 1 Block 11 B (C1). The average mining grade was 33.96g/t. The contained 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.

Gold recovery in 2006 increased to 90.2% exceeded the prior year because of improved performance in the recovery section, lower throughput and head grades. When ore production increases in future, it is possible that the recovery rate will decrease to 84%, depending on head grades and plant performance.

Mine development totalled 1,098 metres in 2006 compared to 249 metres in 2005. The metres developed during 2006 were lower than planned due to the delay in completing the sinking of No 2 Shaft. The increase in development in quarter four followed the completion of sinking No 2 Shaft and No 1 Sub Inline Shaft and the commencement of haulage development on three levels. Productivity of the development crews has increased during the fourth quarter. Underground development increased to 476 metres in the fourth quarter of 2006.

Development on 180 level 2 shaft advanced 67m during the fourth quarter. Excavation of the access to the 180 pump station was completed. The haulage east advanced to the breakaway position for the two water storage dams. Development on the 150 level 2 shaft advanced 54m during the fourth quarter. No advance occurred during December when the crews focused on development of the 180 level. Development on the 160 level from the sub incline shaft progressed well with an advance of 195m for the fourth quarter.

**Exploration: Avnel is awarded the Fougadian Exploration Permit in October 2006 and completed a diamond drill and RC drill program at the Djirila target on the Kalana Permit**

During the year, Avnel continued with its exploration program on the 387.4 km<sup>2</sup> area property held in accordance with the Kalana Permit. One diamond drill program totalling 2,223 metres was completed in the first quarter of 2007. A reverse circulation drill program totalling 5,672 metres was completed in the second quarter of 2007. The results of these drill programs confirm the gold mineralization discovered at Djirila in 2005 extends over 225 metres and is open at depth 100m below surface.

In February 2006 Avnel Gold was awarded a 3 month exploration authorisation on the Niessoumala exploration area directly south of Kalana Permit. The area was included in 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 a 200m line spacing, from 3 anomalies identified in the Or-Bagoe survey and assayed 300 samples for gold. The results confirmed that gold occurs at these locations. The remaining samples will be analysed for gold and 35 other elements in 2007. A number of orpaillage pits were identified during the field work. Based on the potential for gold mineralization and the results from the three month work period, Avnel applied for an exploration permit for a portion of the Niessoumala exploration area.

On October 17, 2006, Avnel was awarded the Fougadian Exploration Permit which lies south of the Kalana permit. The permit covers an area of 150 square kilometres including a portion of the Niessoumala exploration area. The Permit has been awarded in accordance with the 1999 Mining Code and a Foundation Agreement has been signed between Avnel Mali, a 100% owned subsidiary of Avnel, and the Government of the Republic of Mali. Avnel has a 90% interest and the Malian State 10% in the permit, if a decision is made to construct a mine. The Foundation 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. Details are shown

in the Press Release dated October 17, 2006 and a Material Change Report filed on SEDAR (see [www.sedar.com](http://www.sedar.com) and the Company's website [www.avnelgold.com](http://www.avnelgold.com))

In the fourth quarter, Avnel collected 2,027 soil samples (including 115 control samples) in the central area of the Fougadian Exploration Permit. Avnel is planning to collect 4,614 soil samples covering the remainder of the Fougadian Permit during the first half of 2007.

Avnel has recorded seven orpillage sites on the permit and has identified over 10,000 pits associated with the gold anomalies identified in the Or-Bagoe survey.

The Annual Financial Statements and Annual Information Form are available on Sedar ([www.sedar.com](http://www.sedar.com)) and the Avnel Gold website ([www.avnelgold.com](http://www.avnelgold.com)).

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***Caution Regarding Forward Looking Statements:***

Statements regarding the corporation's plans with respect to the Kalana Mine and exploration of the Kalana Permit are forward-looking statements. There can be no assurance that the planned ongoing development of the Kalana Gold Mine will be completed as forecast or that the exploration program on the Kalana Permit will identify minerals resources.

*The TSX has neither approved nor disapproved the form or content of this information release.*