



## AVNEL GOLD MINING LIMITED

### AVNEL GOLD MINING LIMITED (AVK: TSX) ANNOUNCES 2008 ANNUAL RESULTS

Period ended December 31, 2008.

**For Immediate Release: March 31, 2009**

#### Results

Revenue has increased to \$17,800,000 in 2008 from \$15,938,000 in 2007. This is as a result of an increase in average sales price of gold from \$629 per ounce in 2007 to \$905 per ounce in 2008, partly offset by a decrease in gold ounces sold from 25,270 ounces in 2007 to 19,614 ounces in 2008.

Avnel recorded a net loss of \$3,457,000 (\$0.05 per share) for the year ended December 31, 2008 compared to a net loss of \$904,000 (\$0.01 per share) in 2007. Lower gold production, delayed gold sales, and higher operating costs were the main contributing factors to the increase in the net loss compared to 2007.

Mine operating costs for the year ended December 31, 2008 amounted to \$13,349,000 compared with \$10,895,000 in 2007. The reasons for the 23% increase were due to higher underground production (37%) and mill tonnes (37%). Cash operating cost of \$227 per tonne milled in 2008 was significantly lower than the cost per tonne in 2007 of \$296 per tonne mainly because of 37% more tonnes milled. Cash operating cost per ounce sold of \$653 per ounce in 2008 increased from \$412 per ounce in 2007 due to the reduction in ounces sold in 2008 compared to 2007 and higher operating costs. The reduction in ounces sold was partly due to gold bullion being held at the year end to meet the January hedge program, due to the cessation of production in December because of the breakdown of the winder gearbox.

#### Operations

The Kalana Gold Mine was acquired by Avnel in late 2002 following which the existing plant and infrastructure were upgraded. Mining operations were resumed by SOMIKA in January 2004 with commercial production commencing in March 2004. From 2004 to 2008, Avnel increased gold production at the Kalana Gold Mine from 7,396 ounces in 2004 to 25,359 ounces in 2007. In 2008 production decreased to 21,407 ounces. At the same time, Avnel has invested significantly in the capital expenditures and underground development required to expand production to a planned annual rate of 60,000 tonnes. The Kalana Gold Mine development was behind schedule up to 2007 and it is now anticipated that underground production will increase from 48,000 tonnes in 2008 to 60,000 tonnes in 2009 and 2010. The mineral reserves that can be mined from existing underground infrastructure will be depleted during 2010 and Avnel has commenced addressing strategies for optimising the exploitation of its extensive resource base in and in the immediate proximity of the Kalana Mine.

## Mining Operations

The following table shows the production from the Kalana Gold Mine:

	<u>2008</u>	<u>2007</u>
Tonnes milled:		
Underground ore	48,232	35,222
Coarse sand reclaimed	-	-
Total	<u>48,232</u>	<u>35,222</u>
Gold grade - grams per tonne (g/t):		
Underground ore	15.7	24.2
Coarse sand reclaimed	-	-
Total	<u>15.7</u>	<u>24.2</u>
Recovery rate - %	88.0	92.0
Gold production - ounces	21,407	25,359
Cost per tonne milled	\$227	\$296
Operating cost per ounce of gold sold	\$653	\$412
Operating cost per ounce of gold produced	\$513	\$411

Tonnes milled in 2008 were 37% higher than the production achieved in 2007. Gold production at 21,407 ounces in 2008 was 16% lower than 2007 reflecting lower head grade not offsetting higher tonnes milled

Underground mining production increased 37% in 2008 as additional mining faces were made available on 150m and 180m levels.

The gold grade of underground ore mined of 15.7 g/t in 2008 was 35% lower than that obtained in the previous year (24.2g/t). Gold grade decreased as mining moved into lower grade reserve blocks.

Gold recovery in 2008 decreased to 88% as the head grade decreased.

Tonnes milled and gold produced was lower due to the failure of the No 2 Shaft winder gear box in December. The winder returned to operation 24 days later but no ore was hoisted and delivered to the mill from No 2 Shaft. It is estimated that 2,400 tonnes were lost during this period.

Mine development totalled 1,689 metres in 2008 compared to 2,043 metres in 2007. Development exceeded the planned rate for the year. Ore development increased to 440 metres in 2008 from 274 metres in 2007 as new ore reserve blocks were opened up on 150m and 180m level.

On 150m level, development focused on opening up the Vein 17 mineral reserve block and completing access to the diamond drill sites. On 180m level the haulage advanced north towards Vein 18. The haulage intersected a new Vein, 18C, and this was developed between 180m and 150m levels. The haulage intersected Vein 18 and a raise was mined from 180m level towards 150m level. The grade of Vein 18 was disappointing as it was forecast that the grade would be 30g/t between 180m and 150m levels. Diamond drilling from 150m level has shown Vein 18 to be narrower and of a lower grade than forecast using the original model. This has led to a significant reduction in the forecast mining reserve for Vein 18. Vein 18C was included in the mineral resources of Vein 18 but is clearly a separate vein with average grade of 15g/t.

On 180m level, the haulage south was developed to intersect Vein 1. The Vein 1 reserve block above 180m level was mined using this access.

## Exploration:

On October 17, 2006, Avnel was awarded the Fougadian Exploration Permit which lies south of the Kalana Permit. The Fougadian Exploration Permit covers an area of 150 square kilometres including a portion of the Niessoumala exploration area. The permit was awarded in accordance with the 1999 Mining Code and a foundation agreement (the "Foundation Agreement") was signed between Avnel Mali, a 100% wholly-owned subsidiary of Avnel, and the Government of the Republic of Mali. Avnel

has a 90% indirect interest and the Malian State holds a 10% in the Fougadian Exploration Permit, provided 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 include gold and silver, and base metals, but excludes precious stones, semi-precious stones and fossils.

Avnel advanced its exploration of the Fougadian Exploration Permit by commencing an exploration drilling program in March 2008. The Fougadian Permit is located directly south of the SOMIKA 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 kilometres 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.

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)).

For further information contact:

Howard Miller  
Chief Executive Officer  
Phone +44 207 589 9082; Fax +44 207 589 8507

Email: [Howard@hbmiller.co.uk](mailto:Howard@hbmiller.co.uk)

Website: [www.avnelgold.com](http://www.avnelgold.com)

Barry Mire or Neil Murray-Lyon  
Renmark Financial Communications  
Tel : +1 514 939 3989; Fax +1 514 939 8507

Website: [www.renmarkfinancial.com](http://www.renmarkfinancial.com)

*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.