

Avion Gold Announces Fourth Quarter 2011 Earnings of \$8.1 Million With Earnings Per Share of \$0.02

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Record 2011 Earnings of \$ 43.1 Million or \$0.10 Per Share for the Year

TORONTO, ONTARIO -- (Marketwire) -- 03/31/12 -- [Avion Gold Corporation](#) (TSX: AVR) (OTCQX: AVGCF) ("Avion" or the "Company") today announces its financial results for the fourth quarter and year ended December 31, 2011. All amounts are in United States dollars unless otherwise indicated.

Avion will host a conference call at 10:30 AM (EST) on Monday, April 2, 2011 to discuss the results. To participate in the call please dial:

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Complete audited financial statements and related Management's Discussion and Analysis will be available under the Company's profile on www.sedar.com by 7:00AM (ET) on March 31, 2011.

Fourth Quarter Highlights:

- The Company had earnings of \$8.1 million, or \$0.02 per share, and cash flow from operations before working capital adjustments of \$16.1 million.
- During the quarter the Company sold 23,418 ounces of gold at an average realized price of \$1,647 per ounce compared to \$1,370 in Q4 of the previous year
- Gold revenue was \$37.2 million compared to \$38.2 million for the comparable quarter of 2010.
- The Company produced 23,418 ounces of gold at a cash cost per ounce of \$734 and total cash costs produced of \$823. Cash costs per ounce declined from the previous quarter as the Company achieved additional operating efficiencies.
- The Company announced that it had increased the mineral resources at the Vindaloo, Hounde property in Burkina Faso by more than 100% .

Full Year 2011 Highlights

- During 2011, the Company achieved record earnings of \$43.1 million, or \$0.10 per share compared to \$35.9 million or \$0.10 per share for the prior year.
- Gold revenue for the year 2011 was \$143.9 million compared to \$115.3 million for the prior year. The Company fully benefited from the higher gold prices as it was un-hedged.
- During 2011, the Company produced 91,200 ounces of gold at a cash cost per ounce of \$652 and total cash cost of \$746.
- In 2011, the Company generated operating cash flow before working capital adjustments of \$67.5 million compared to \$54.7 million in 2010.
- The Company completed 2011 with cash and cash equivalents of \$21.2 million.

2012 Outlook

The current Outlook is Management's best estimate of the short and long term plans with respect to the Company. Recently, members of the National Army have mounted a coup in Mali, and while the Company has reported that operations at site are continuing without interference and that mine activities are progressing uninterrupted, there continues to be a risk that the political uncertainty in Mali will cause interruptions in receiving supplies and equipment. As a result, the assumptions and estimates upon which the Company has based its short and long term plans, could be curtailed due to lack of supplies and personnel availability as well as other known and unknown risks.

The Company is forecasting 2012 production of between 140,000 and 150,000 ounces of gold and its plans to increase to a run rate of 4,000 tonnes per day in the fourth quarter of 2012 are advanced. Avion's results in 2011 have allowed this plan to be put into action. Since production re-started in February 2009, the Company has achieved production increases year over year despite some operational challenges due to a strong management team at the mine site. Avion is currently focussed on underground production at Tabakoto, underground development at Segala (currently preparing to rehabilitate a 2 metre wide fault zone that has temporarily halted advance), and has contracted Genivar to lead the mill plant expansion to 4,000 tonnes per day which is expected to start commissioning at the end of Q2-2012. The Company has also initiated a Preliminary Economic Assessment at the Hounde Project in Burkina Faso which will be completed in late Q3 or early Q4-2012. This has required a significant amount of capital and necessitated the Company to access the equity markets and enter into debt facilities. In 2012, the mill expansion is expected to be completed providing greater production, the underground development at Segala will be further advanced and the Hounde Project will move towards a Feasibility study. Underground ore is being mined at Tabakoto, and ore is being mined from several open pit deposits. Activities during 2012 will set the stage for 2013 and achieving the capacity to produce 200,000 ounces per year from the 4,000 tonne per day mill which should be fully operational under our current plan...subject to no interruption by the military action.

Financial Discussion: three months ended December 31, 2011

The Company reported net income of \$8,072,364 (\$0.02 per share, basic and diluted) for the three months ended December 31, 2011 compared to \$20,387,058 (\$0.05 per share, basic and diluted) for the three months ended December 31, 2010.

During Q4-2011, the Company sold 23,418 ounces of gold and generated \$37,199,811 in gold sales revenue. In Q4-2010, 27,908 ounces of gold was sold generating \$38,249,405 in gold sales revenue. Mining and processing costs were \$14,696,994 (Q4-2010: \$14,913,311) and the Company recorded amortization and depletion of \$8,120,033 (Q4-2010: \$1,158,333). The Company is amortizing deferred property, plant and equipment related to the Mali projects on a unit of production basis from the current mine plan. The Company was subject to a 6% royalty on metal sales during the quarter. Royalty expense totaled \$2,077,985 (Q4-2010: \$2,019,134) for the ounces of gold sold during Q4-2011.

Corporate and administrative expenses decreased marginally for the quarter ended December 31, 2011 totalling \$1,241,721 compared to \$1,303,697 for Q4-2010.

Non-cash share-based compensation expense for Q4-2011 was \$562,856 (Q4-2010: \$497,824) related to the estimated fair value of stock options that were granted and vested during Q4-2011. A total of 700,000 stock options were granted during Q4-2011 compared to 565,000 during Q4-2010. Share-based compensation was estimated using the Black-Scholes option pricing model as at the date of grant.

The Company recorded an impairment charge of \$2,129,554 related to the recoverability of fuel duties during Q4-2011 (Q4-2010: \$nil).

The Company also incurred a foreign exchange translation loss of \$235,963 during Q4-2011 compared to a loss of \$1,595,416 during Q4-2010.

Financial Discussion: twelve months ended December 31, 2010

The Company reported net income of \$43,072,532 (\$0.10 and \$0.10 per share, basic and diluted respectively) for the twelve months ended December 31, 2011 compared to \$35,888,421 (\$0.11 and \$0.10 per share, basic and diluted respectively) for the twelve months ended December 31, 2010. The increase in income is primarily the result of increased sales volumes and gold prices offset by higher operating costs and increased depletion and depreciation expenditures.

During 2011, the Company sold 92,224 ounces of gold and generated \$143,295,976 in gold sales revenue (2010: 92,630 ounces generating revenue of \$115,306,132). Mining and processing costs were \$62,114,494 (2010: \$53,486,908), which includes \$385,304 (2010: \$2,866,703) in amortized deferred stripping costs.

Mining and processing costs also includes a provision for taxes from prior years in the amount of \$4,538,671. The Company recorded amortization and depletion of \$17,215,360 (2010: \$7,396,209) for the year ended December 31, 2011. The Company is amortizing deferred property, plant and equipment related to the Mali projects on a unit of production basis from the current mine plan. The Company was subject to a 6% royalty on metal sales during 2011. Royalty expenses totaled \$8,597,019 (2010: \$7,273,258) for the ounces of gold sold during 2011.

Corporate and administrative expenses for the twelve months ended December 31, 2011 totalled \$4,722,932 compared to \$4,092,667 for 2010. The increase in corporate costs is a result of the increased activity of the Company, including the hiring of additional personnel, higher compensation for employees and directors and an increase in professional fees.

Non-cash share-based compensation expense for the twelve months ended December 31, 2011 was \$4,446,627 (2010: \$6,865,189) related to the estimated fair value of stock options that were granted and vested during the nine months ended December 31, 2011. A total of 5,555,000 stock options were granted during the twelve months ended December 31, 2011 compared to 14,510,000 during the twelve months ended December 31, 2010.

The Company recorded tax penalties of \$1,196,039 during 2011 compared to \$nil during 2010 as a result of recent tax assessments made by the Malian government. As well, the Company recorded an impairment charge of \$2,129,554 related to the recoverability of fuel duties during 2011 (2010: \$nil).

The Company recognized an unrealized loss of \$2,154,137 during the twelve months ended December 31, 2011 (2010: an unrealized loss of \$910,319) related to their held-for-trading investments based on the fair market value of these investments as at December 31, 2011. During the comparative year, the Company recognized a gain of \$750,359 on the revaluation of the warrant provision from warrants held in a currency other than the Company's functional currency.

The Company also incurred a foreign exchange translation gain of \$2,136,035 during 2011 compared to a loss of \$160,525 during 2010.

About Avion Gold Corporation

Avion is a Canadian-based gold mining company focused in West Africa that holds 80% of the Tabakoto and Segala gold projects in Mali. Gold production commenced at these projects in 2009 with approximately 51,290 ounces produced. 2010 production was 87,630 ounces of gold. 2011 production was 91,200 ounces of gold. The current mineral reserve estimate (as of January 1, 2011) of 7.24 million tonnes grading 3.92 g/t Au totaling 913,100 ounces of gold (proven and probable), for the Tabakoto project property, demonstrates several sources of excellent grade open pit and good grade underground mineral resources thus providing significant flexibility for Avion's future mining plans. The Company has developed an underground mine at the Tabakoto deposit, and is developing another underground mine at the Segala deposit. The Tabakoto project property also contains several producing open pit mines. Production sustainability will continue to be supported by exploration programs over an approximately 600 km² exploration package that both surrounds and is near to the Company's existing mine infrastructure, and contains mineral resources on the Kofi property. Additionally, mineral resources have grown considerably at Avion's 1,600 km² Houde exploration property in Burkina Faso. Aggressive exploration programs are underway at the Tabakoto, Kofi and Houde properties for 2012. Avion continues to progress towards its short term goal of 200,000 ounces of gold per year and a longer term goal of 400,000 to 500,000 ounces of gold per year through development of its exploration properties. Avion has a highly skilled management team, with a focus on growth and consolidation within West Africa.

Cautionary Notes

This press release contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, without limitation, statements regarding the impact of the financial results on the Company, development potential and timetable of the Mali projects; the future price of gold; the estimation of mineral resources; conclusions of economic evaluation (including scoping studies); the realization of mineral resource estimates; the timing and amount of estimated future production, development and exploration; costs of future activities; capital and operating expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or 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". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: general business, economic, competitive, geopolitical and social uncertainties; the actual results of current exploration activities; foreign operations risks; other risks inherent in the mining industry and other risks described in the annual information form of the Company, which is available under the profile of the Company on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Cautionary Non-GAAP Statements

Avion believes that investors use certain indicators to assess gold mining companies. The indicators are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared with GAAP. "Cash flow from operating activities before changes in non-cash working capital" is a non-GAAP performance measure which could provide an indication of the Company's ability to generate cash flows from operations, and is calculated by adding back the change in non-cash working capital to "Cash provided by (used for) operating activities" as presented on the Company's consolidated statements of cash flows. "Cash flow per share" is calculated by dividing "Cash provided by (used for) operating activities" and adding back the change in non-cash working capital by the fully diluted number of shares outstanding for the period. "Cash cost per ounce produced" is a non - GAAP performance measure which could provide an indication of the mining and processing efficiency and effectiveness at the mine. It is determined by dividing the relevant mining and processing costs excluding royalties by the ounces produced in the period. There may be some variation in the method of computation of "cash cost per ounce produced" as determined by the Company compared with other mining companies. In this context, "ounces produced" includes in-process and dore inventory along with ounces of gold sold in the period. "Cash costs per ounce produced" may vary from one period to another due to operating efficiencies, waste to ore ratios, grade of ore processed and gold recovery rates in the period.

The following table provides a reconciliation of mining and processing costs per the financial statements and cash operating for the purposes of calculating cash costs per ounce produced and total cash costs produced.

	Three Months Ended December 31, 2011	Twelve Months Ended December 31, 2011
Mining and processing expenses	14,696,994	62,114,494
By-product silver sales credit	(93,530)	(623,513)
Inventory movements and adjustments	2,595,629	2,539,324
Provision for government assessment for prior period payroll and other taxes	-	(4,538,641)
Cash operating costs	17,199,093	59,491,634
Divided by ounces of gold produced	23,418	91,200
Cash cost per ounce produced	734	652
Royalties	2,077,985	8,597,019
Total cash cost per ounce produced	823	747
Operating cashflow (before working capital adjustments)	12,997,211	54,497,485
Operating cashflow per ounce produced	555	598

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