

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTICE TO READER

The Company has re-filed the Condensed Interim Consolidated Statements of Financial Position as at March 31, 2011 and the Condensed Interim Consolidated Statements of Operations and Comprehensive Income, the Condensed Interim Consolidated Statements of Changes in Equity and the Condensed Interim Statements of Cash Flows for the three-month period then ended. The following table outlines the changes:

Condensed Interim Consolidated Statements of Financial Position

	Original March 31, 2011	Re-stated March 31, 2011
Amounts receivable	\$ 1,195,272	\$ 5,488,772
Current assets	45,222,884	49,516,384
Total assets	209,096,593	213,390,093
Retained earnings (deficit)	26,906,609	31,200,109
Equity attributable to owners of the Company	171,941,795	175,376,595
Non-controlling interest	6,586,860	7,445,560
Total equity	178,528,655	182,822,155
Total liabilities and equity	\$ 209,096,593	\$ 213,390,093

Condensed Interim Consolidated Statements of Operations and Comprehensive Income

	Original Three months ended March 31, 2011	Re-stated Three months ended March 31, 2011
Operating revenues	\$ 27,494,390	\$ 31,787,890
Mine operating earnings	11,443,501	15,737,001
Earnings and comprehensive income for the period	8,271,205	12,564,705
Earnings and Comprehensive income attributable to:		
Owners of the parent	7,309,641	10,744,441
Non-controlling interest	961,564	1,820,264
Earnings per share		
Basic	\$ 0.02	\$ 0.03
Diluted	\$ 0.02	\$ 0.03

Condensed Interim Consolidated Statements of Cash Flows

	Original Three months ended March 31, 2011	Re-stated Three months ended March 31, 2011
Cash provided by (used in) operating activities:		
Net earnings/(loss)	\$ 8,271,205	\$ 12,564,705
Working capital adjustments:		
Change in receivables	(802,553)	(5,096,053)
Net cash provided by operating activities	\$ 15,397,626	\$ 15,397,626

Condensed Interim Consolidated Statements of Changes in Equity

	Original	Re-stated
Retained Earnings (Deficit)		
Net earnings for the period	\$ 8,271,205	12,564,705
Balance, March 31, 2011	26,906,609	31,200,109



RE-STATED

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

for the three-months ended March 31, 2011 and 2010
(expressed in United States dollars)

reflecting the Company's adoption of
International Financial Reporting Standards ("IFRS"), as
issued by the International Accounting Standards Board ("IASB")

UNAUDITED

AVION GOLD CORPORATION

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

AVION GOLD CORPORATION

Condensed Interim Consolidated Statements of Financial Position

Unaudited

Expressed in United States dollars

		<u>RE-STATED</u>		
	Notes	March 31, 2011	December 31, 2010	January 1, 2010
ASSETS				
Current assets:				
Cash and cash equivalents		\$ 19,070,923	\$ 38,610,362	\$ 20,541,856
Amounts receivable	7, 31	5,488,772	1,430,702	1,095,272
Fuel duty recoverable	8	4,128,864	2,670,527	2,974,000
Inventories	10	13,421,354	14,355,478	11,867,854
Prepaid expenses	9	7,406,471	8,060,656	4,339,920
		49,516,384	65,127,725	40,818,902
Non-current assets:				
Fuel duty recoverable	8	2,535,455	2,955,809	1,768,989
Deposits and advances	9	12,512,352	10,957,592	3,611,345
Exploration and evaluation properties	11	24,720,066	21,816,959	329,857
Mine properties, plant and equipment	12	121,321,814	85,019,952	31,229,475
Other financial assets	13	2,784,022	2,716,857	3,089,537
TOTAL ASSETS		\$ 213,390,093	\$ 188,594,894	\$ 80,848,105
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable	14	\$ 18,130,606	\$ 14,498,669	\$ 8,625,570
Interest-bearing loans	15	579,006	521,282	549,889
Capital leases	16	1,491,523	1,108,084	-
Provisions	17	622,401	562,948	655,712
Provision for warrants exercisable in foreign currency	30d)	-	-	5,260,726
		20,823,536	16,690,983	15,091,897
Non-current liabilities :				
Long-term debt	11	90,002	81,234	-
Capital leases	16	3,433,650	2,605,543	-
Provision for closure and reclamation	17	6,220,750	6,159,000	5,567,000
Total liabilities		30,567,938	25,536,760	20,658,897
Equity:				
Share capital	18	134,037,427	128,396,329	69,107,478
Commitment to issue shares	11	2,791,884	3,823,709	-
Share-based payments reserves	19	14,792,735	12,202,692	8,562,111
Retained earnings (deficit)		31,200,109	18,635,404	(17,480,381)
Equity attributable to owners of the Company		175,376,595	157,432,838	60,189,208
Non-controlling interest	12, 31	7,445,560	5,625,296	-
Total equity		182,822,155	163,058,134	60,189,208
TOTAL LIABILITIES AND EQUITY		\$ 213,390,093	\$ 188,594,894	\$ 80,848,105
Commitments and contingencies	28			
Subsequent events	29			

Approved on behalf of the Directors:

"James Coleman"

Director

"John Begeman"

Director

AVION GOLD CORPORATION

Condensed Interim Consolidated Statements of Operations and Comprehensive Income

Unaudited

Expressed in United States dollars

	Notes	Three months ended March 31, 2011		2010	
		RE-STATE			
Operating revenues	20, 31	\$	31,787,890	\$	19,466,619
Operating expenses					
Mining and processing			(13,017,240)		(11,409,242)
Royalties			(1,473,593)		(1,358,440)
Depletion and depreciation			(1,560,056)		(1,407,716)
Total operating expenses			(16,050,889)		(14,175,398)
Mine operating earnings			15,737,001		5,291,221
Expenses					
Corporate and administrative costs			(1,067,176)		(711,958)
Share-based compensation	19		(3,479,773)		(2,382,567)
Other gains and losses	22		1,466,179		(1,498,490)
Finance income			53,335		25,044
Finance costs	23		(144,861)		(59,571)
Earnings and comprehensive income for the period		\$	12,564,705	\$	663,679
Earnings and Comprehensive income attributable to:					
Owners of the parent	31	\$	10,744,441	\$	1,273,585
Non-controlling interest	31		1,820,264		(609,906)
		\$	12,564,705	\$	663,679
Earnings per share					
Basic	24	\$	0.03	\$	0.00
Diluted	24	\$	0.03	\$	0.00
Weighted average number of shares outstanding:					
Basic	24		386,726,785		295,537,770
Diluted	24		412,774,073		295,537,770

AVION GOLD CORPORATION

Condensed Interim Consolidated Statements of Cash Flows

Unaudited

Expressed in United States dollars

	Notes	Three months ended March 31,	
		2011	2010
		RE-STATED	
Cash provided by (used in) operating activities:			
Net earnings/(loss)	31	\$ 12,564,705	\$ 663,679
Items not involving cash:			
Stock-based compensation	19	3,479,773	2,382,567
Depreciation, depletion and amortization	12	2,022,113	1,556,917
Unrealized gains/losses on marketable securities	13	10,916	719,854
Unrealized foreign exchange gains/losses		(631,338)	(142,725)
Non-cash financing and accretion expense	17	61,750	55,500
Working capital adjustments:			
Change in receivables	31	(5,096,053)	(42,006)
Change in prepaid expenses and other current assets		654,185	1,887,693
Change in inventories		761,623	(3,936,586)
Change in payables and provisions		1,569,952	(1,270,358)
Net cash provided by operating activities		15,397,626	1,874,535
Investing activities			
Acquisition of investment in marketable securities		-	(405,363)
Investment in exploration and evaluation of assets		(2,570,680)	(533,428)
Expenditures on mine development		(36,649,198)	(10,249,847)
Working capital adjustments related to investing activities		624,402	(3,533,497)
Net cash provided by (used) in the investing activities		(38,595,476)	(14,722,135)
Financing activities			
Exercise of warrants/options		3,395,883	677,713
Capital lease payments		(303,309)	-
Net cash provided by (used in) financing activities		3,092,574	677,713
Effect of exchange rate changes on cash and cash equivalents		565,837	(83,570)
Change in cash and cash equivalents		(19,539,439)	(12,253,457)
Cash and cash equivalents, beginning of the period		38,610,362	20,541,856
Cash and cash equivalents, end of the period		\$ 19,070,923	\$ 8,288,399
Cash and cash equivalents are comprised of:			
Cash in bank		\$ 10,452,757	\$ 890,380
Cash equivalents		\$ 8,618,166	\$ 7,398,019
Non-cash investing and financing transactions			
Common shares issued for acquisition of exploration property		\$ 80,915	\$ 3,387,206
Common shares committed to be issued for acquisition of exploration property		\$ 242,745	\$ -
Depreciation charged to mine property, plant and equipment		\$ 133,655	\$ 1,681
Acquisition of equipment by capital lease		\$ 1,502,276	\$ -

AVION GOLD CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity

Unaudited

Expressed in United States dollars

RE-STATED

	Number of shares	Share Capital	Commitment to issue shares	Share-based payments reserve	Retained Earnings (Deficit)	Total
Balance, December 31, 2010	383,767,272	\$ 128,396,329	\$ 3,823,709	\$ 12,202,692	\$ 18,635,404	\$ 163,058,134
Exercise of warrants and broker warrants	4,697,832	3,048,845	-	-	-	3,048,845
Valuation allocation on exercise of warrants and broker warrants	-	640,797	-	(640,797)	-	-
Exercise of stock options	726,250	347,038	-	-	-	347,038
Valuation allocation on exercise of stock options	-	248,933	-	(248,933)	-	-
Share-based payments for the acquisition of exploration properties	787,500	1,355,485	(1,031,825)	-	-	323,660
Stock based compensation	-	-	-	3,479,773	-	3,479,773
Net earnings for the period	-	-	-	-	12,564,705	12,564,705
Balance, March 31, 2011	389,978,854	\$ 134,037,427	\$ 2,791,884	\$ 14,792,735	\$ 31,200,109	\$ 182,822,155
Balance at January 1, 2010	285,708,117	\$ 69,107,478	\$ -	\$ 8,562,111	\$ (17,480,381)	\$ 60,189,208
Exercise of warrants and broker warrants	4,220,400	410,907	-	-	-	410,907
Valuation allocation on exercise of warrants and broker warrants	-	106,444	-	(106,444)	-	-
Exercise of stock options	538,781	266,805	-	-	-	266,805
Valuation allocation on exercise of stock options	-	90,002	-	(90,002)	-	-
Common shares issued for the acquisition of exploration properties	7,608,696	3,387,206	-	-	-	3,387,206
Stock based compensation	-	-	-	2,416,061	-	2,416,061
Net earnings/(loss) for the period	-	-	-	-	663,679	663,679
Balance, March 31, 2010	298,075,994	\$ 73,368,842	\$ -	\$ 10,781,726	\$ (16,816,702)	\$ 67,333,866

- The accompanying notes form an integral part of these
Condensed Interim Consolidated Financial Statements -

AVION GOLD CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2011 and 2010
(Expressed in United States dollars unless otherwise noted)
RE-STATED

1. Nature of operations

Avion Gold Corporation (the "Company"), through its subsidiaries, is a gold producer engaged in the mining, exploration and development of properties located in Africa. The Company is a publicly listed company incorporated in British Columbia, Canada. The Company's shares are listed on the Toronto Stock Exchange.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

2. Basis of preparation

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting and by IFRS 1, First-time Adoption of IFRS. These consolidated interim financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its December 31, 2011 financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

The Company's consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Canadian GAAP differs in some areas from IFRS. Certain information and footnote disclosures which are considered material to the understanding of the Company's interim financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in notes along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, operations, comprehensive income, and the statements of financial position and cash flows.

As these are the Company's first set of condensed interim consolidated financial statements in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual consolidated financial statements prepared in accordance with Canadian GAAP. In 2011 and beyond, the Company may not provide the same amount of disclosure in the Company's consolidated interim financial statements under IFRS as the reader will be able to rely on the annual consolidated financial statements, which will be prepared in accordance with IFRS.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

3. Future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2011 or later periods. Updates are not applicable or are not consequential to the Company have been excluded thereof.

IFRS 9, Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2013, and has not yet considered the potential impact of the adoption of IFRS 9.

AVION GOLD CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
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4. Principles of consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

Subsidiaries

Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

Business Combinations and Goodwill

On the acquisition of a subsidiary the purchase method of accounting is used to account for the acquisition as follows:

- cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- directly attributable transaction costs are expensed rather than included in the acquisition purchase price;
- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date except for non-current assets that are classified as held for sale in accordance with IFRS 5 '*Non-current Assets Held for Sale and Discontinued Operations*', which are recognized and measured at fair value less costs to sell;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- if the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized directly in profit or loss;
- the interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholder's fair value; and
- the measurement of contingent consideration at fair value on the acquisition date is performed with subsequent changes in the fair value recorded through the consolidated statement of operations .

All material intercompany transactions are eliminated in consolidation. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised and is tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The level at which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal purposes, but shall not be larger than an operating segment determined in accordance with IFRS 8 Operating Segments. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Transactions and non-controlling interests

Transactions with non-controlling interests are treated as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between the consideration paid and the non-controlling share of the carrying value of net assets acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are similarly computed and also recorded in equity.

5. Significant accounting judgments, estimates and assumptions

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

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Notes to the Condensed Interim Consolidated Financial Statements
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Information about critical judgements and estimates in applying accounting policies that have most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- Asset carrying values and impairment charges
- Estimation of asset lives
- Determination of ore reserve estimates
- Deferral of stripping costs
- Recognition of deferred taxes
- Capitalization of exploration and evaluation costs
- Contingencies
- Acquisitions
- Determination of economic viability of a project
- Commencement of commercial production

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Asset carrying values and impairment charges
- Estimation of close down and restoration costs and the timing of expenditures
- Estimation of environmental cleanup and the timing of expenditure and related accretion
- Contingencies
- Fuel duty recoverable
- Inventory valuation
- Share-based payments
- Depletion, depreciation and amortization

6. Significant accounting policies

Presentation currency

The Company's functional and presentation currency is the United States (US) dollar ("\$"). These condensed interim consolidated financial statements have been translated to the US dollar in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates. These guidelines require that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items be translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period).

Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of operations within "finance costs". All other foreign exchange gains and losses are presented in the consolidated statement of operations within "other gains losses."

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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Revenue recognition

Metal sales

Revenue from the sale of metals is recognized when all of the following conditions are satisfied:

- the specific risks and rewards of ownership have been transferred to the purchaser;
- the Company does not retain continuing managerial involvement to the degree usually associated with ownership or effective control over the metals sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and foreign exchange gains and losses on foreign currency borrowings.

Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the condensed consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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Taxation

Current tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated consolidated statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Mineral exploration, evaluation and development expenditures

Exploration and evaluation properties

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation. Exploration and evaluation expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within mine properties, plant and equipment.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

Development properties

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as construction-in-progress and classified as a component of mine properties, plant and equipment. Costs associated with the commissioning of new assets, in the period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues.

Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

The costs of removing overburden to access ore are capitalized as stripping costs and classified as a component of mine properties, plant and equipment.

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Mine properties, plant and equipment

Upon completion of mine construction, the assets are transferred into mine properties, plant and equipment or mine properties. Items of property, plant and equipment and mine properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development.

Depletion/depreciation/amortisation

Accumulated mine development costs are depleted/depreciated/amortised on a unit-of-production basis over the estimated economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight-line method is applied.

Plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives as follows:

- ▶ Buildings - 12 years
- ▶ Plant and equipment - 3 to 12 years
- ▶ Vehicles and mobile equipment – 3 to 12 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of operations when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period, and adjusted prospectively if appropriate.

Major maintenance and repairs

Expenditures on major maintenance refits or repairs comprise the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Company through an extended life, the expenditure is capitalized.

Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets, which is immediately written off. All other day-to-day maintenance costs are expensed as incurred.

Deferred stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units-of-production basis. Stripping costs incurred subsequently during the production stage of a mine in operation are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the life of the mine.

Deferred stripping costs are included as part of 'Mine properties'. These form part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

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Impairment of non-financial assets

The carrying values of capitalised exploration and evaluation properties, and mine properties, plant and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other Company's of assets. This generally results in the Company evaluating its non-financial assets on a geographical basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statement of operations so as to reduce the carrying amount to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of operations .

Financial assets

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, (i.e., the date that the Company commits to purchase or sell the asset).

The Company's financial assets include cash and cash equivalents, amounts receivable, fuel duty recoverable and other financial assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income and finance costs in the consolidated statement of operations .

The Company evaluated its financial assets at fair value through profit and loss (held for trading) to determine whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect, in rare circumstances, to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of operations . Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the consolidated statement of operations. The losses arising from impairment are recognised in the consolidated statement of operations.

Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
(a) the Company has transferred substantially all the risks and rewards of the asset; or
(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of operations. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated statement of operations. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of operations.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

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The Company's financial liabilities include trade and other payables, loans and borrowings and capital leases.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of operations. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Interest-bearing loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in the consolidated statement of operations when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of operations.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Compound financial instruments (debenture)

Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

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Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Inventories

Gold doré, in-process precious metals and stockpiled ore are physically measured or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling final product.

Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depletion, depreciation and amortisation, incurred in converting materials into finished goods.

Spare parts and supplies are valued at the lower of cost or net realisable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

Provisions

General

Provisions are recognised when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of operations, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the consolidated statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognised immediately in the consolidated statement of operations.

Employee entitlements

Employee entitlements to annual leave are recognized as the employees earn them. A provision, stated at current cost, is made for the estimated liability at period end.

Earnings (loss) per share

Earnings (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

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7. Amounts receivable

	March 31, 2011	December 31, 2010	January 1, 2010
Gold sales receivable	\$ 4,293,500	\$ -	\$ -
Refundable taxes	955,985	870,932	899,515
Reimbursable expenditures	189,503	445,543	169,020
Proceeds from exercise of stock options	49,784	114,227	26,737
	\$ 5,488,772	\$ 1,430,702	\$ 1,095,272

Receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost.

8. Fuel duty recoverable

	March 31, 2011	December 31, 2010	January 1, 2010
Balance, beginning of period	\$ 5,626,336	\$ 4,742,989	\$ 5,295,525
Additions	791,110	2,954,113	383,978
Recoveries	(347,324)	(1,714,582)	(1,623,635)
Foreign exchange translation gains and losses	594,197	(356,184)	687,121
Balance, end of period	6,664,319	5,626,336	4,742,989
Current portion	4,128,864	2,670,527	2,974,000
Long term portion	\$ 2,535,455	\$ 2,955,809	\$ 1,768,989

The fuel duty recoverable is recoverable from the Government of Mali. It is currently being recovered by way of offset against royalties related to ore milled from the Tabakoto concession, and certain taxes that would otherwise be payable to the Government of Mali, including payroll taxes. There is no formal offset agreement with the Government of Mali, however, the Government has not rejected any offsets to date. The balance of the recoverable at March 31, 2011 is 3,042,074,967 CFA (\$6,664,319) (December 31, 2010: 2,839,499,113 FCFA (\$5,626,336); January 1, 2010: 2,213,932,616 FCFA (\$4,742,989).

The fuel duty recoverable has been classified as loans and receivables and is therefore measured at amortized cost.

9. Prepaid expenses

	March 31, 2011	December 31, 2010	January 1, 2010
Mining supplier advances	\$ 6,851,289	\$ 7,471,641	\$ 4,052,936
Administrative advances	93,649	71,158	51,673
Prepaid insurance	54,847	107,564	39,409
Tax advances	406,686	410,293	195,902
	\$ 7,406,471	\$ 8,060,656	\$ 4,339,920

The amount classified as long-term deposits and advances primarily includes down payments on equipment and supplies required for the commencement of underground development at Tabakoto and Segala and the mill expansion.

	March 31, 2011	December 31, 2010	January 1, 2010
Long-term deposits and advances	\$ 12,512,352	\$ 10,957,592	\$ 3,611,345

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10. Inventories

	March 31, 2011	December 31, 2010	January 1, 2010
At cost :			
Gold doré	\$ 144,786	\$ 1,779,182	\$ 4,579,940
In-process precious metals	30,689	234,655	161,041
Stockpiled ore	3,284,504	4,069,740	814,319
Spare parts and supplies	9,961,375	8,271,901	6,312,554
	<u>\$ 13,421,354</u>	<u>\$ 14,355,478</u>	<u>\$ 11,867,854</u>

The amount of inventories recognized as an expense during the three months ended 31 March 2011 is \$13.7 million (March 31, 2010-\$12.6 million).

11. Exploration and evaluation properties

Cost as at 1 January 2010	\$ 329,857
Additions	<u>21,487,102</u>
Cost and net book value as at 31 December 2010	21,816,959
Additions	<u>2,903,107</u>
Cost and net book value as at 31 March 2011	<u>\$ 24,720,066</u>

Exploration and evaluation properties comprised the following:

- (a) A 100% interest in the Keneiba concessions in Mali. The Company has agreed to make future contingent payments of up to CDN\$2.1 million in the event that it produces more than 400,000 ounces of gold from the Kenieba concessions, payable in increments for each 50,000 ounces of additional production. If production from the concessions exceeds 600,000 ounces, Avion would be required to make up to a further CDN\$1.4 million in payments to complete its obligations under this agreement.
- (b) A 100% interest in the Houndé group of concessions in Burkina Faso. This property is subject to a 2% NSR and certain back-in rights. Should the Company be successful in defining a greater than 3,000,000 ounce gold deposit on the Kari Nord and Kari Sud licenses, a claw-back of a 75% indirect interest in the Kari properties may take place by paying the Company an amount equal to the value of this interest, determined by an independent valuation report. Should the Company define less than a 3,000,000 ounce gold deposit, a claw-back of 25% equity in the Houndé concessions may take place by paying the Company an amount equal to the value of this interest determined from an independent valuation. If the claw-back option in either case is exercised, the NSR over the relative license(s) will be relinquished. If the claw-back option in either case is exercised, a joint venture company will under the terms in the agreement with the majority holder taking on the role of operator.
- (c) The Company entered into a purchase agreement with AXMIN Inc. ("AXMIN") under which the Company acquired AXMIN's interest in the Kofi Group of concessions ("Kofi") in Mali for total consideration of CDN\$500,000 and 4,500,000 common shares of the Company. AXMIN's direct interest in the concessions that comprise the Kofi property varies from 81.25% to 100%. Agreements for several of the concessions closed in December 2010 and March 2011 and the following payment schedule was established:

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<u>Due Date</u>	<u>Cash (CDN\$)</u>	<u>No. of Shares</u>	<u>Value of shares (CDN\$)</u>	<u>Value of shares (USD\$)</u>
December 24, 2010 (closing, paid and issued)	\$81,250	731,250	\$1,294,313	\$1,274,569
March 24, 2011 (paid and issued)	\$81,250	731,250	\$1,294,313	\$1,274,569
December 24, 2011	\$81,250	731,250	\$1,294,313	\$1,274,569
June 24, 2012	\$81,250	731,250	\$1,294,313	\$1,274,569
March 11, 2011 (closing, paid and issued)	\$6,250	56,250	\$ 80,437.50	\$ 80,914.90
June 11, 2011	\$6,250	56,250	\$ 80,437.50	\$ 80,914.90
March 11, 2012	\$6,250	56,250	\$ 80,437.50	\$ 80,914.90
September 11, 2012	\$6,250	56,250	\$ 80,437.50	\$ 80,914.90
COMMITMENT TO ISSUE SHARES				\$2,791,884

The current portion of the cash liability due, CDN\$93,750 (\$96,431) is included in accounts payable. The long-term portion, CDN\$87,500 (\$90,002) is included in long-term debt.

12. Mine properties, plant and equipment

Mine properties are comprised of the Tabakoto and Segala projects, in which the Company holds an 80% interest and the Government of Mali holds a 20% interest. The Company is required to fund 100% of all expenditures related to the exploration and development of these properties and holds preferential right to recover all funding plus interest from future cash flows prior to the shareholders receiving dividends. The Company is still subject to a 6% NSR payable to the Government of Mali on these projects.

As at March 31, 2011, mine properties, plant and equipment included assets acquired under capital leases totaling approximately \$7,800,000 (December 31, 2010: \$6,250,000; January 1, 2010: \$nil).

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	Mine properties			Plant and equipment			TOTAL
	Mines under construction	Producing mines	Deferred stripping	Buildings and infrastructure	Plant and equipment	Equipment under finance lease	
Cost as at 1 January 2010	\$ 15,317,307	\$ 6,783,788	\$ 3,326,532	\$ 1,388,629	\$ 9,268,392	\$ -	\$ 36,084,648
Additions	29,877,261	-	-	20,392,683	5,512,998	6,052,382	61,835,325
Transferred from exploration and evaluation assets	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Change in rehabilitation provision	370,000	-	-	-	-	-	370,000
Cost as at 31 December 2010	45,564,568	6,783,788	3,326,532	21,781,312	14,781,391	6,052,382	98,289,974
Additions	29,937,093	-	-	1,595,130	4,851,867	1,767,384	38,151,474
Disposals	-	-	-	-	-	-	-
Transfer to producing mines	(9,306,434)	9,306,434	-	-	-	-	-
Cost as at 31 March 2011	\$ 66,195,228	\$ 16,090,222	\$ 3,326,532	\$ 23,376,443	\$ 19,633,258	\$ 7,819,766	\$ 136,441,448
Accumulated Depreciation, depletion and impairment as at 1 January 2010	\$ -	\$ (1,942,745)	\$ (493,240)	\$ (77,160)	\$ (2,342,028)	\$ -	\$ (4,855,173)
Charge for the year	-	(3,078,234)	(2,447,988)	(347,947)	(2,540,679)	-	(8,414,848)
Provision for impairment	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Depletion and impairment as at 31 December 2010	-	(5,020,980)	(2,941,228)	(425,107)	(4,882,707)	-	(13,270,021)
Charge for the period	-	(463,428)	(385,304)	(436,658)	(438,131)	(126,091)	(1,849,612)
Provision for impairment	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Depletion and impairment as at 31 March 2011	\$ -	\$ (5,484,408)	\$ (3,326,532)	\$ (861,765)	\$ (5,320,838)	\$ (126,091)	\$ (15,119,634)
Net book value as at 1 January 2010	\$ 15,317,307	\$ 4,841,043	\$ 2,833,292	\$ 1,311,469	\$ 6,926,364	\$ -	\$ 31,229,475
Net book value as at 31 December 2010	\$ 45,564,568	\$ 1,762,808	\$ 385,304	\$ 21,356,205	\$ 9,898,684	\$ 6,052,382	\$ 85,019,952
Net book value as at 31 March 2011	\$ 66,195,228	\$ 10,605,814	\$ -	\$ 22,514,678	\$ 14,312,420	\$ 7,693,675	\$ 121,321,814

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13. Other financial assets

The Company's other financial assets consist of investments, classified as fair value through profit or loss ("FVTPL"), and are comprised of the following:

	<u>Classification</u>	March 31, 2011		December 31, 2010		January 1, 2010	
		No. held	Value	No. held	Value	No. held	Value
Long term							
Midlands Minerals Corporation	FVTPL	10,278,500	\$ 2,643,104	9,098,500	\$ 2,576,885	9,098,500	\$ 2,956,090
Yellowhead Mining Inc.	FVTPL	100,000	\$ 140,918	100,000	\$ 139,972	100,000	\$ 133,447
			\$ 2,784,022		\$ 2,716,857		\$ 3,089,537

The Company has recognized an unrealized loss on their FVTPL investments of \$10,916 for the three months ended March 31, 2011 (2010: 719,874).

Of the Midland Minerals Corporation shares held by the Company, 1,180,000 are units consisting of one common share and one-half of a common share purchase warrant, with each whole warrant exercisable into one common share of Midlands at a price of CDN\$0.50 until February 12, 2012.

14. Accounts Payable

	March 31, 2011	December 31, 2010	January 1, 2010
Mining and milling suppliers and contractors	\$ 14,699,625	\$ 11,646,606	\$ 6,283,836
Payroll and other statutory liabilities	790,278	1,346,985	999,921
Corporate payables	2,640,703	1,505,078	1,341,813
	\$ 18,130,606	\$ 14,498,669	\$ 8,625,570

15. Interest-bearing loans

The Company, through its Malian subsidiaries, carries a liability payable to the Government of Mali in relation to their 20% ownership of the Malian subsidiaries, being Tambaoura Mining Co. and Segala Mining Co. The balance of this liability at March 31, 2011 is 264,400,151 FCFA (\$579,006) (December 31, 2010: 236,081,031 FCFA (\$521,282); January 1, 2010: 256,677,081 FCFA (\$549,889)), including accrued interest. This loan bears an interest rate at the London Interbank Offered Rate ("LIBOR") for United States dollars plus 2%, and is calculated annually. This loan will be paid with priority over shareholder dividends from the Malian subsidiaries. During the three months ended March 31, 2011, interest expense related to this loan totalled \$2,559 (March 31, 2010: \$4,071).

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16. Capital leases

Finance leases relate to manufacturing equipment with lease terms of 2 to 4 years. The Company has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements. The Company's obligations under capital leases are secured by the lessors' title to the leased assets.

As at March 31, 2011, the capital leases were composed of the following obligations:

2011	\$	1,390,781
2012		1,640,401
2013		1,350,894
2014		1,197,511
2015		70,223
		<u>5,649,809</u>
Less: Amounts representing interest		(724,637)
	\$	<u>4,925,173</u>
Less: Current portion	\$	1,491,523
Long-term portion	\$	<u>3,433,650</u>

The fair value of the capital leases is approximately equal to their carrying amount.

The net book value of assets under capital leases approximates \$7,690,000 (December 31, 2010: \$6,050,000; January 1, 2010: \$nil).

17. Provisions

	Rehabilitation	Other	Total
Balance at 1 January 2010	\$ 5,567,000	\$ 655,712	\$ 6,222,712
Additional provisions recognised	852,000	-	852,000
Reductions arising from payments/other sacrifices of future economic benefits	-	-	-
Reductions resulting from re-measurement or settlement without cost	(482,000)	(92,764)	574,764
Unwinding of discount and effect of changes in the discount rate	222,000	-	222,000
Balance at 31 December 2010	6,159,000	562,948	6,721,948
Additional provisions recognised	-	59,453	59,453
Reductions arising from payments/other sacrifices of future economic benefits	-	-	-
Reductions resulting from re-measurement or settlement without cost	-	-	-
Unwinding of discount and effect of changes in the discount rate	61,750	-	61,750
Balance at 31 March 2011	\$ 6,220,750	\$ 622,401	\$ 6,843,151

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Rehabilitation provision

The Company makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis on the development of mines or installation of those facilities. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites. The rehabilitation provision used a risk-free discount rate applicable to Mali of 4% and an inflation factor of 3.0%. Although the ultimate amount to be incurred is uncertain, based on development, legal requirements and estimated costs, the total undiscounted liability for asset retirement obligations is estimated to be approximately \$6,900,000 commencing in approximately 2026. These provisions have been created based on Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future gold and copper prices, which are inherently uncertain.

Other provisions include provisions for litigation claims.

18. Issued capital

a) As at March 31, 2011, December 31, 2010 and January 1, 2010, the Company's authorized number of common shares was unlimited without par value.

b)

Common shares	Number of Shares	Amount
Balance, January 1, 2010	285,708,117	\$ 69,107,478
Public offering (i)	48,070,000	27,629,083
Exercise of warrants	21,202,428	8,016,420
Exercise of warrants -- value allocation	-	5,984,525
Exercise of stock options	4,500,000	1,883,044
Exercise of stock options -- value allocation	-	1,186,275
Exercise of broker warrants and options	5,646,781	2,761,136
Exercise of broker warrants and options -- value allocation	-	790,185
Property acquisition	18,639,946	13,676,239
Adjustment to value of shares issued for subsidiary	-	(134,438)
Cost of issue	-	(2,503,618)
Balance, December 31, 2010	383,767,272	\$ 128,396,329
Exercise of warrants	4,697,832	3,048,845
Exercise of warrants -- value allocation	-	640,797
Exercise of stock options	726,250	347,038
Exercise of stock options -- value allocation	-	248,933
Property acquisition	787,500	1,355,485
Balance, March 31, 2011	389,978,854	\$ 134,037,427

(i) On May 10, 2010, the Company closed a public offering through the issuance of 48,070,000 common shares of the Company at a price of CDN\$0.60 per share for gross proceeds of CDN\$28,842,000 (\$27,629,083). The underwriters received a cash commission of \$1,657,745 as well as 2,884,200 broker warrants entitling them to acquire the same number of common shares at a price of CDN\$0.60 per share on or before May 10, 2011. The estimated fair value of the broker warrants was estimated using the Black-Scholes option pricing model under the following assumptions: estimated dividend yield – 0%; estimated volatility – 71%, risk-free interest rate – 1.15%; estimated life – 1 year. A value of \$466,932 was recorded as cost of issue.

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19. Share-based payments reserve

	No. of options	Weighted Average Exercise Price (CAD\$)	Value of options	No. of warrants	Weighted Average Exercise Price (CAD\$)	Value of warrants	TOTAL VALUE
January 1, 2010	23,727,250	\$ 0.55	\$ 4,642,080	40,020,400	\$ 0.51	\$ 3,920,031	\$ 8,562,111
Granted	14,510,000	0.64	6,851,629	2,884,200	0.60	466,932	7,318,561
Exercised	(10,146,781)	0.47	(1,976,460)	(21,202,428)	0.38	(1,474,158)	(3,450,618)
Expired	(1,671,719)	0.60	(227,361)	-	-	-	(227,361)
Forfeited	-	-	-	-	-	-	-
December 31, 2010	26,418,750	\$ 0.63	\$ 9,289,888	21,702,172	\$ 0.64	\$ 2,912,805	\$ 12,202,693
Granted	4,455,000	1.69	3,479,773	-	-	-	3,479,773
Exercised	(726,250)	0.47	(248,934)	(4,697,832)	0.64	(640,797)	(889,731)
Expired	-	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-	-
March 31, 2011	30,147,500	\$ 0.79	\$ 12,520,727	17,004,340	\$ 0.64	\$ 2,272,008	\$ 14,792,735

Employee share option plan

The Company has an ownership-based compensation scheme for executives and employees. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, officers, directors and consultants of the Company may be granted options to purchase common shares exercise prices determined at the time of grant. The Company has adopted of a Fixed Stock Option Plan (the "Plan"), whereby the number of common shares reserved for issuance under the Plan is 35,048,024.

Each employee share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

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No. outstanding	No. exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Grant date share price	Expected volatility	Expected life (yrs)	Expected Dividend Yield	Risk-free interest rate
300,000	300,000	6-May-09	12-Jul-11	\$ 0.39	\$ 54,536	\$ 0.33	132%	2.19	0%	2.03%
900,000	900,000	6-May-09	22-Mar-12	\$ 0.73	\$ 140,526	\$ 0.33	120%	2.88	0%	2.03%
75,000	75,000	6-May-09	9-Apr-12	\$ 1.01	\$ 10,717	\$ 0.33	119%	2.93	0%	2.03%
187,500	187,500	6-May-09	20-Jun-12	\$ 0.92	\$ 33,768	\$ 0.33	136%	3.13	0%	2.03%
3,525,000	3,525,000	6-May-09	3-Oct-12	\$ 1.07	\$ 640,801	\$ 0.33	135%	3.41	0%	2.03%
1,140,000	1,140,000	13-Jan-08	10-Jan-13	\$ 0.50	\$ 310,689	\$ 0.50	92%	5.00	0%	3.61%
2,800,000	2,800,000	27-May-08	27-May-13	\$ 0.51	\$ 925,650	\$ 0.51	111%	5.00	0%	3.30%
310,000	310,000	6-Jun-08	6-Jun-13	\$ 0.51	\$ 102,233	\$ 0.51	111%	5.00	0%	3.20%
1,075,000	1,075,000	19-Sep-08	19-Sep-13	\$ 0.20	\$ 139,094	\$ 0.20	111%	5.00	0%	3.00%
2,180,000	2,180,000	6-Apr-09	6-Apr-14	\$ 0.29	\$ 472,594	\$ 0.29	125%	5.00	0%	1.80%
100,000	100,000	4-May-09	4-May-14	\$ 0.33	\$ 24,687	\$ 0.33	125%	5.00	0%	2.03%
95,000	95,000	31-Jul-09	31-Jul-14	\$ 0.32	\$ 22,696	\$ 0.32	124%	5.00	0%	2.66%
100,000	62,500	6-Jan-10	6-Jan-15	\$ 0.73	\$ 57,502	\$ 0.73	123%	5.00	0%	2.74%
200,000	125,000	23-Feb-10	23-Feb-15	\$ 0.60	\$ 90,043	\$ 0.60	121%	5.00	0%	2.51%
3,600,000	3,600,000	12-Mar-10	12-Mar-15	\$ 0.67	\$ 2,005,721	\$ 0.67	124%	5.00	0%	2.83%
280,000	280,000	29-Mar-10	29-Mar-15	\$ 0.70	\$ 158,481	\$ 0.68	125%	5.00	0%	2.90%
50,000	50,000	13-May-10	13-May-15	\$ 0.68	\$ 26,457	\$ 0.68	111%	5.00	0%	2.87%
155,000	105,000	1-Jun-10	1-Jun-15	\$ 0.60	\$ 68,620	\$ 0.60	122%	5.00	0%	2.61%
8,080,000	8,030,000	7-Jun-10	7-Jun-15	\$ 0.60	\$ 3,325,559	\$ 0.51	124%	5.00	0%	2.58%
540,000	540,000	19-Nov-10	19-Nov-15	\$ 1.02	\$ 450,044	\$ 1.02	120%	5.00	0%	2.32%
500,000	500,000	26-Jan-11	26-Jan-16	\$ 1.60	\$ 387,862	\$ 1.65	72%	3.00	0%	2.56%
840,000	573,333	25-Feb-11	25-Feb-16	\$ 1.65	\$ 494,694	\$ 1.59	72%	3.00	0%	2.56%
50,000	50,000	1-Mar-11	1-Mar-16	\$ 1.70	\$ 43,228	\$ 1.72	72%	3.00	0%	2.60%
3,065,000	2,933,750	24-Mar-11	24-Mar-16	\$ 1.71	\$ 2,534,525	\$ 1.72	72%	3.00	0%	2.61%
30,147,500	29,537,083				\$ 12,520,727					

Fair value of share options granted in the year

The weighted average grant date fair value of the share options granted during the three-month period ended March 31, 2011 is \$1.19 (2010: \$0.55). Options were priced using the Black-Scholes option-pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years. The expected life of the option was calculated based on the history of option exercises.

20. Revenue

	Three months ended March 31	
	2011	2010
Gold	\$ 31,489,868	\$ 19,425,382
Silver	298,022	41,237
	\$ 31,787,890	\$ 19,466,619

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21. Operating segments

Geographical information

The Company operates in Canada, Mali and Burkina Faso. The Company's revenue from external customers and information about its non-current assets by geographical location are detailed below.

	Current Assets	Properties, Plant and Equipment	Mine properties, plant and equipment	Exploration and evaluation properties	Other Long Term Assets	TOTAL ASSETS
<u>March 31, 2011</u>						
Canada	\$ 14,302,951	\$ -	\$ -	\$ -	\$ 2,784,022	\$ 17,086,973
Mali	30,799,241	44,520,773	76,801,041	13,984,424	15,047,807	181,153,286
Burkina Faso	120,692	-	-	10,735,642	-	10,856,334
	<u>\$ 45,222,884</u>	<u>\$ 44,520,773</u>	<u>\$ 76,801,041</u>	<u>\$ 24,720,066</u>	<u>\$ 17,831,829</u>	<u>\$ 209,096,593</u>
<u>December 31, 2010</u>						
Canada	\$ 36,387,086	\$ -	\$ -	\$ -	\$ 2,716,857	\$ 39,103,943
Mali	28,740,639	37,307,271	47,712,681	13,095,048	13,913,401	140,769,040
Burkina Faso	-	-	-	8,721,911	-	8,721,911
	<u>\$ 65,127,725</u>	<u>\$ 37,307,271</u>	<u>\$ 47,712,681</u>	<u>\$ 21,816,959</u>	<u>\$ 16,630,258</u>	<u>\$ 188,594,894</u>
<u>January 1, 2010</u>						
Canada	\$ 19,930,083	\$ -	\$ -	\$ -	\$ 3,089,537	\$ 23,019,620
Mali	20,888,819	8,237,833	22,991,642	329,857	5,380,334	57,828,485
Burkina Faso	-	-	-	-	-	-
	<u>\$ 40,818,902</u>	<u>\$ 8,237,833</u>	<u>\$ 22,991,642</u>	<u>\$ 329,857</u>	<u>\$ 8,469,871</u>	<u>\$ 80,848,105</u>

All of the Company's gold revenues are earned from production in Mali.

22. Other gains and losses

	Three months ended March 31	
	2011	2010
Net foreign exchange gains/(losses)	\$ 1,477,095	\$ (309,249)
Net loss on revaluation of warrant provision	-	\$ (479,367)
Net gain/(loss) arising on financial assets designated as at FVTPL	(10,916)	(709,874)
	<u>\$ 1,466,179</u>	<u>\$ (1,498,490)</u>

23. Finance costs

	Three months ended March 31	
	2011	2010
Interest on obligations under finance leases	\$ 80,552	\$ -
Accretion expense on rehabilitation provision	61,750	55,500
Other interest expense	2,559	4,071
	<u>\$ 144,861</u>	<u>\$ 59,571</u>

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24. Loss per share

Total options and warrants excluded from the computation of diluted earnings per share because the exercise prices exceeded the average market value of the common shares for the period ended March 31, 2011 were 3,905,000 (March 31, 2010 – nil) and nil (March 31, 2010 – nil), respectively.

25. Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and are disclosed in note 6.

Financial assets and financial liabilities as at March 31, 2011, December 31, 2010 and January 1, 2010 were as follows:

January 1, 2010	Cash, loans and receivables	Assets /(liabilities) at fair value through profit	Total
Cash and cash equivalents	\$ 20,541,856	\$ -	\$ 20,541,856
Receivables	4,069,272	-	4,069,272
Other financial assets non-current	1,768,989	3,089,537	4,858,526
Accounts payable	8,625,570	-	8,625,570
Interest-bearing loans and borrowings-current	549,889	-	549,889
Interest -bearing loans and borrowings-non-current	-	-	-
Other financial liabilities current	-	5,260,726	5,260,726
Other financial liabilities non-current	-	-	-
Other payables	655,712	-	655,712

December 31, 2010	Cash, loans and receivables	Assets /(liabilities) at fair value through profit	Total
Cash and cash equivalents	\$ 38,610,362	\$ -	\$ 38,610,362
Receivables	4,101,229	-	4,101,229
Other financial assets non-current	2,955,809	2,716,857	5,672,666
Accounts payable	14,498,669	-	14,498,669
Interest-bearing loans and borrowings-current	521,282	-	521,282
Interest -bearing loans and borrowings-non-current	-	-	-
Other financial liabilities current	1,108,084	-	1,108,084
Other financial liabilities non-current	2,686,777	-	2,686,777
Other payables	562,948	-	562,948

March 31, 2011	Cash, loans and receivables	Assets /(liabilities) at fair value through profit	Total
Cash and cash equivalents	\$ 19,070,923	\$ -	\$ 19,070,923
Receivables	5,324,136	-	5,324,136
Other financial assets non-current	2,535,455	2,784,022	5,319,477
Accounts payable	18,130,606	-	18,130,606
Interest-bearing loans and borrowings-current	579,006	-	579,006
Interest -bearing loans and borrowings-non-current	-	-	-
Other financial liabilities current	1,491,524	-	1,491,524
Other financial liabilities non-current	3,523,653	-	3,523,653
Other payables	622,401	-	622,401

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The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the quarter ended March 31, 2011 and 2010.

Credit risk

The Company's credit risk is primarily attributable to cash and equivalents, amounts receivable and the fuel duty recoverable. The Company has no significant concentration of credit risk arising from operations other than that related to the fuel duty recoverable. Financial instruments included in amounts receivable consist of sales taxes due from the Government of Canada, Value Added Tax from foreign governments, employee advances and reimbursable costs, and gold sales receivables. Fuel duty recoverable is due from the Government of Mali, currently being recovered by way of offset against certain royalties and any taxes otherwise payable to the Government of Mali. The right to offset and the full value of the recoverable amount have not been confirmed by the Government of Mali. Management believes that the credit risk with respect to these financial instruments is minimal. There is no formal offset agreement with the Malian Government, however the Government has not rejected the offsets to date.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2011, the Company had a cash and cash equivalents balance of \$19,070,923 (December 31, 2010: \$38,610,362; January 1, 2010: \$20,541,856) to settle current liabilities of \$20,823,537 (December 31, 2010: \$16,690,893; January 1, 2010: \$9,831,171).

Market risk

(a) Interest rate risk

The Company has cash and cash equivalent balances at March 31, 2011. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by Canadian banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Currency risk

The Company's functional and reporting currency is the United States dollar. The Company funds certain operational expenses in Africa using the CFA Francs ("FCFA") and the Euro currencies, as well as corporate expenses in Canadian dollars. The Company's Malian subsidiaries operate in FCFA which is fixed with the Euro. Gold sales are paid in United States dollars.

The three main types of foreign exchange risk of the Company can be categorized as follows:

i) Transaction exposure

The Company's operations incur costs in different currencies. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company has not hedged its exposure to currency fluctuations.

ii) Exposure to currency risk

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the United States dollar:

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Balances as at March 31, 2011	CAD\$	CFA	Euros	Australian dollar
Cash and cash equivalents	8,033,881	3,348,787	-	-
Amounts receivable	176,999	1,000,573	-	-
Fuel duty recoverable	-	6,664,319	-	-
Investments	2,530,929	-	-	-
Accounts payable and accrued liabilities	(2,400,639)	(15,673,560)	-	-
Shareholder loan	-	(579,006)	-	-
Long term liabilities	-	-	-	-
Capital lease obligations	(444,353)	-	-	-
Net balance sheet exposure	7,896,817	(5,238,887)	-	-

Balances as at December 31, 2010	CAD\$	CFA	Euros	Australian dollar
Cash and cash equivalents	20,647,768	3,163,071	-	-
Amounts receivable	238,396	1,192,238	-	-
Fuel duty recoverable	-	5,626,336	-	-
Investments	2,716,857	-	-	-
Accounts payable and accrued liabilities	(1,553,178)	(12,830,844)	(101,801)	-
Shareholder loan	-	(521,282)	-	-
Long term liabilities	-	-	-	-
Capital lease obligations	(512,897)	-	-	-
Net balance sheet exposure	21,536,945	(3,370,481)	(101,801)	-

Balances as at December 31, 2009	CAD\$	CFA	Euros	Australian dollar
Cash and cash equivalents	19,375,752	757,879	-	-
Amounts receivable	120,268	974,726	-	-
Fuel duty recoverable	-	4,742,989	-	-
Investments	3,089,537	-	-	-
Accounts payable and accrued liabilities	(1,552,814)	(6,919,365)	-	(64,116)
Shareholder loan	-	(549,889)	-	-
Long term liabilities	-	-	-	-
Capital lease obligations	-	-	-	-
Net balance sheet exposure	21,032,743	(993,660)	-	(64,116)

iii) Translation exposure

The Company's operations translate their operating results from the host currency to United States dollars, the functional currency. Therefore, exchange rate movements in the United States dollar, Canadian dollar, Euro and FCFA can have a significant impact on the Company's consolidated operating results.

(c) Price risk

The Company's earnings and cash flows are subject to price risk due to fluctuations in the market price of gold and silver. World gold prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including:

- The strength of the US economy and the economies of other industrialized and developing nations;
- Global or regional political or economic crises;
- The relative strength of the US dollar and other currencies;
- Expectations with respect to the rate of inflation;
- Interest rates;
- Purchases and sales of gold by central banks and other holders;
- Demand for jewelry containing gold; and
- Investment activity, including speculation in gold as a commodity.

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The Company closely monitors these metal prices to determine the appropriate course of action to be taken by the Company. The Company currently does not hedge for price risk.

The Company is also subject to price risk for fluctuations in the cost of energy, principally electricity and purchased petroleum products. The Company's production costs are also affected by prices of commodities it consumes or uses in its operations such as lime, reagents and explosives. The prices of such commodities are influenced by supply and demand trends affecting the mining industry in general and other factors outside the Company's control. The Company has entered into fuel contracts to mitigate this risk.

The Company is also subject to price risk for changes in the market price of its investments.

Sensitivity analysis

Foreign exchange risk

A 10% change in the United States Dollar exchange rate as at March 31, 2011 compared to the Canadian Dollar, with all other variables held constant, would impact the Company's net earnings by approximately \$800,000.

A 10% change in the United States Dollar exchange rate as at March 31, 2011 compared to the FCFA, with all other variables held constant, would impact the Company's net earnings by approximately \$1,600,000.

Price risk

A 10% change in the average gold price during the first quarter of 2011 with all other variables constant, would have resulted in an impact to earnings of approximately \$3,150,000.

26. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital structure of the Company consists of capital stock, warrants and stock options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is in production and has begun to generate cash flows to support the ongoing and longer term strategy focused on mining, development and exploration. However, the Company may continue to rely on capital markets to support continued growth. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the three months ended March 31, 2011 and 2010.

27. Related party disclosures

The condensed interim consolidated financial statements include the financial statements of the Company and the subsidiaries and their respective ownership listed in the following table:

Avion Africa (Barbados) Limited	100%
Avion Resources (Mali) Ltd., Barbados	100%
Tambaoura Mining Company S.A., Mali (80% ownership)	
Segala Mining Corp. S.A., Mali (80% ownership)	
Nevsun Mali Exploration Ltd., Mali (100% ownership)	
Avion Mali Limited, Barbados	100%
Avion Gold (Burkina Faso) SARL, Burkina Faso	100%
Dynamite Resources Ltd., Canada	100%
Burkina Faso Exploration Ltd., Jersey	100%

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During the period, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Sales of goods and services		Purchases of goods and services	
	Three months ended March 31		Three months ended March 31	
	2011	2010	2011	2010
2227929 Ontario Inc.	\$ -	\$ -	\$ 86,401	\$ 74,091
Forbes & Manhattan, Inc.	-	-	19,433	19,414

The Company shares office space with other companies who may have similar officers or directors. The costs associated with this space are administered by 2227929 Ontario Inc.

Mr. Stan Bharti, a director of the Company, is an officer of Forbes & Manhattan, Inc., a corporation that provides administrative services to the Company.

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties			Amounts owed to related parties		
	March 31, 2011	December 31, 2010	January 1, 2010	March 31, 2011	December 31, 2010	January 1, 2010
2227929 Ontario Inc.	\$ 204,856	\$ 35,485	\$ 13,202	\$ -	\$ -	\$ -
Other (various)	36,883	20,235	46,554	-	-	-
Forbes & Manhattan, Inc.	-	-	-	-	-	-

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the period were as follows:

	Three months ended March 31	
	2011	2010
Short-term benefits	\$ 324,829	\$ 290,657
Share-based payments	2,103,953	1,615,719

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

28. Commitments and contingencies

Contingent liabilities

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$5,000,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contract commitments remaining under these contracts are approximately \$1,100,000.

The Company has contracted to purchase fuel as required, however if the contract was terminated, the Company would be obligated to pay the approximately \$720,000 at March 31, 2011. The Company has contracted for mining services at the Tababoto and Segala mine sites. Should the Company terminate the contract without cause, the Company will be liable for any costs incurred to date of termination, reasonable costs for demobilization and any other costs for which the contractor is legally liable as a result of the termination. The Company also entered into a contract to purchase a Sag Mill for \$6,900,000.

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The Company has received a tax assessment from the Malian government for FCFA 1,303,558,366 (approximately \$2,700,000) covering periods prior to the acquisition of the Mali Projects by the Company. The Company believes that this assessment is without merit and will not result in any significant expense to the Company. A sum of approximately \$200,000 was paid to the Malian government as an advance against future taxes.

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These law and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

29. Subsequent events

In May 2011, the Company completed a US\$ 35 million credit facility, which is being provided by Banque Atlantique Mali S.A., a subsidiary of Atlantic Financial Group ("AFG"). The key elements of the facility are a \$35 million credit facility available for a 3 year term with an annual interest rate of 7%. The Company has full flexibility with regards to draw downs and pre-payments and has no gold hedging requirements. The equivalent of €3,750,000 was drawn down from the facility in May 2011.

Also, 15,434,439 warrants were exercised generating cash proceeds of approximately \$10,400,000, and 820,000 stock options were exercised generating approximately \$490,000 subsequent to March 31, 2011. As well, 570,000 warrants with an exercise price of CDN\$0.65 expired unexercised on May 8, 2011.

In May 2011, the shareholders of the Company approved a 10% rolling stock option plan.

30. Transition to IFRS

The Company's consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS and these condensed interim consolidated financial statements were prepared as described in note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its 2011 annual financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

Initial elections upon adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption Options

1. *Currency translation differences* - Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, from the date a subsidiary or equity method investee was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the Transition Date. The Company elected to reset all cumulative translation gains and losses to zero in opening retained earnings at its Transition Date.
2. *Share-based payments* - IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

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3. *Changes in Existing Decommissioning, Restoration and Similar Liabilities – IFRIC -1.* The Company did not apply the recognition and measurement principles of IFRIC 1 prior to January 1, 2010; and instead measured the Company's environmental rehabilitation obligations at fair value on January 1, 2010, estimating the amounts that would have been included in the cost of the related mining properties when the obligations first arose using the applicable historical country-specific risk free rates and recalculating the accumulated and depletion for such assets at January 1, 2010.

4. *IAS 27 – Consolidated and Separate Financial Statements*

In accordance with IFRS 1, if a Company elects to apply IFRS 3 *Business Combinations* retrospectively, *IAS 27 Consolidated and Separate Financial Statements* must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

IFRS Mandatory Exceptions

Estimates - Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the consolidated statements of financial position and consolidated statements of operations have resulted in reclassifications of various amounts on the consolidated statements of cash flows.

Adjustments on transition to IFRS:

In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company.

a) Share-based compensation - Forfeitures

Canadian GAAP - Forfeitures of awards are recognized as they occur

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. No adjustments were required.

b) Expiry of share-based compensation

Canadian GAAP – Under Canadian GAAP, the Company's policy was to leave the value recorded for expired unexercised stock options to contributed surplus, and to record the value of expired unexercised warrants in contributed surplus.

IFRS – The Company has changed its policy related to expired share-based compensation whereby amounts recorded for expired unexercised stock options and warrants are transferred to retained earnings (deficit) on expiry. The impact of the change was to decrease contributed surplus and increase retained earnings by \$227,361 at December 31, 2010 (January 1, 2010 - \$808,989).

c) Deferred tax from exploration and evaluation properties and mine properties plant and equipment acquired

Canadian GAAP - The Company has recognized deferred tax on temporary differences arising on acquisitions of assets where the carrying amount of the assets acquired exceeded the tax base.

IFRS – IFRS provides for a specific exemption from recording a deferred tax liability on initial recognition when the transaction is not a business combination and at the time of the transaction, affects neither accounting profit/loss nor tax profit/loss. As the acquisition of the exploration and evaluation properties in 2010 meet the IFRS exemption criteria, the recognition of deferred tax liabilities in relation to these assets acquired under Canadian GAAP is reversed under IFRS resulting in a \$8,466,122 reduction in exploration and evaluation property, a reduction of \$4,670,251 in mine properties, plant and equipment, and a \$13,136,373 decrease in the deferred tax liability as at December 31, 2010, with a corresponding decrease in foreign exchange loss for the period. There was no impact of this change at January 1, 2010.

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d) Classification and measurement of financial liabilities

Canadian GAAP – Share purchase warrants issued with exercise prices denominated in currencies other than the United States dollar, the Company's functional currency, are presented as equity.

IFRS – IFRS share purchase warrants issued with exercise prices denominated in currencies other than the United States dollar, the Company's functional currency, are presented as financial liabilities and measured at fair value.

For the purposes of the Company's opening IFRS statement of financial position at January 1, 2010, these warrants were removed from equity, re-measured at fair value with the difference between fair value and the amount removed from equity being recognized as an adjustment to opening retained earnings. An additional opening retained earnings adjustment was recorded for warrants previously exercised, calculated as the difference between the fair values of warrants on the dates of exercise and the amount recorded in equity. An adjustment of \$6,550,228 to decrease retained earnings was made as at January 1, 2010. The following table presents the related liability and the effect on earnings thereafter.

January 1, 2010	\$ (5,260,726)
Exercises during the period	2,178,906
Fair value adjustments to earnings	(479,367)
March 31, 2010	\$ (3,561,187)
January 1, 2010	\$ (5,260,726)
Exercises during the period	4,510,367
Fair value adjustments to earnings	750,359
December 31, 2010	\$ -

e) Plant and Equipment

Canadian GAAP – Costs incurred for plant and equipment on initial recognition are allocated to significant components when practicable. Costs incurred subsequent to the initial purchase of plant and equipment are capitalized when they constitute a betterment, which occurs when the productivity capacity or useful life of an existing asset is increased or when the associated operating costs is decreased. Otherwise, these costs are expensed.

IFRS – Costs incurred subsequent to the initial purchase of plant and equipment are capitalized when it is probable that future economic benefits will flow to the Company over a period and the costs can be measured reliably. Upon capitalization, the carrying amount of components replaced, if any, are derecognized.

The Company recorded an opening IFRS balance sheet adjustment of \$(973,008) at January 1, 2010 to reflect the change in amortization as a result of the retrospective componentization of its buildings and surface mobile equipment and accounting for costs incurred subsequent to initial purchase in accordance with IFRS. At December 31, 2010, a similar adjustment of \$536,480 was recorded.

Due to the adjustments to the provision for environmental rehabilitation discussed in the note 17, the cost of property plant and equipment increased by \$514,000 at January 1, 2010 in accordance with IFRS than in accordance with Canadian GAAP. As a result, even though depreciation is calculated in the same manner, the amount of depreciation differs. At December 31, 2010, depreciation increased by \$172,730.

f) Measurement of decommissioning and rehabilitation provision

Canadian GAAP – Asset retirement obligations are measured at fair value, incorporating market assumptions and discount rates based on the entity's credit-adjusted risk-free rate. Adjustments are made to asset retirement obligations for changes in the timing or amount of the cash flows and the unwinding of the discount. However, changes in discount rates alone do not result in a re-measurement of the provision. Changes in estimates that decrease the liability are discounted using the discount rate applied upon initial recognition of the liability while changes that increase the liability are discounted using the current discount rate.

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IFRS – IFRS requires decommissioning provisions to be measured based on management’s best estimate of the expenditures that will be made and adjustments to the provision are made in each period for changes in the timing or amount of cash flow, changes in the discount rate, and the accretion of the liability to fair value (unwinding of the discount). Furthermore, the estimated future cash flows should be discounted using the current rates.

As a result in the change in the discount rates being applied, the Company recorded an adjustment to the value of the rehabilitation provision recorded in its accounts on January 1, 2010 totaling \$514,000. At December 31, 2010, an adjustment of \$2,111,000 was made to this provision to reflect the impact of the change in discount rates on the changes throughout 2010. The change impacted the carrying value of mine properties in the same amount. Depletion, depreciation and amortization of mine properties was not impacted as at January 1, 2010. The accretion (or unwinding of the discount) of the provision for rehabilitation will be presented as a finance cost under IFRS. Accretion expense decreased by \$233,000 during the year ended December 31, 2010 as a result of these changes.

g) Flow through shares

Canadian GAAP - Flow through shares are a unique Canadian tax incentive, which is the subject of specific guidance under Canadian GAAP and US.

IFRS – There is no equivalent IFRS guidance. SIC Interpretation 25, Income Taxes – Changes in the Tax Status of an Entity or its Shareholders, provides some additional guidance in that it requires that the current and deferred tax consequences of a change in tax status shall be included in profit or loss for the period, unless those consequences relate to transactions and events that result in a direct credit to the recognized amount in equity. The portion of tax liabilities or assets related to such recognized equity amounts which is not included in profit or loss must be charged or credited directly to equity. As at the Transition Date to the Statement of Financial Position at January 1, 2010, \$429,081 was credited to share capital and debited to retained earnings.

h) Foreign currency translation, functional currency and cumulative translation differences

Canadian GAAP - Translation gains or losses from the functional currency to the presentation currency were reported as other comprehensive income/loss.

IFRS – On transition to IFRS, the Company elected to transfer its accumulated currency translation adjustment balance to retained earnings/deficit. The impact of the change was to decrease accumulated other comprehensive income and increase retained earnings by \$6,397,036 at December 31, 2010 (January 1, 2010 - \$1,496,168).

Canadian GAAP – The Company presented its consolidated financial statements in US dollars. The Company considered its operations to be integrated with a Canadian dollar functional currency.

IFRS – On transition to IFRS, the Company determined that upon the commencement of commercial production on May 1, 2009, the functional currency of each entity in the group changed from the Canadian dollar to the US dollar. As a result, the following adjustments were required:

	January 1, 2010	December 31, 2010
Inventories	\$ (1,209,860)	\$ (42,682)
Prepaid expenses and other current assets	(460,993)	(141,928)
Deposits and advances	(233,070)	(698,212)
Exploration and evaluation assets	(25,478)	4,133
Mine properties, plant and equipment	(4,519,080)	(2,448,020)
Issued capital	3,954,490	407,436
Equity reserves	1,544,567	(407,436)
Accumulated other comprehensive income (loss)	1,496,168	6,397,036
Retained deficit	(546,745)	(3,070,327)

i) Non-controlling interest:

Canadian GAAP - When the non-controlling interest is not obligated to fund its share of losses, the Company does not attribute losses to the non-controlling interest once the interest has been reduced to nil.

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IFRS - The Company is required prospectively from the transition date to allocate comprehensive losses to non-controlling interest based on their effective interest, even if this results in a deficit in the non-controlling interest balance. This policy was applied from the transition date. The impact of the change was to decrease deficit and increase non-controlling interest by \$5,625,296 at December 31, 2010 (January 1, 2010 - \$nil).

j) Provisions:

Canadian GAAP – Certain accrued provisions were grouped with accounts payable for balance sheet presentation.

IFRS – Provisions are recorded as a separate liability. Total provisions were \$655,712 at January 1, 2010 and \$562,948 at December 31, 2010. There was no net liability change as a result of this change.

Reconciliation of Consolidated Statement of Financial Position as of January 1, 2010

Canadian GAAP accounts	Notes	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Assets				
Current assets				
Cash and cash equivalents		\$ 20,541,856	\$ -	\$ 20,541,856
Receivables		1,095,272	-	1,095,272
Fuel duty recoverable		2,974,000	-	2,974,000
Inventories	h	13,077,714	(1,209,860)	11,867,854
Prepaid expenses and other current assets	h	4,800,913	(460,993)	4,339,920
		42,489,755	(1,670,853)	40,818,902
Non-current assets				
Fuel duty recoverable		1,768,989	-	1,768,989
Deposits and advances	h	3,844,415	(233,070)	3,611,345
Exploration and evaluation assets	e, h	355,335	(25,478)	329,857
Mine properties, plant and equipment	e, h	36,207,563	(4,978,088)	31,229,474
Other financial assets		3,089,537	-	3,089,537
Total assets		\$ 87,755,594	\$ (6,907,488)	\$ 80,848,106
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	j	\$ (9,281,282)	\$ 655,712	\$ (8,625,570)
Interest-bearing loans and borrowings		(549,889)	-	(549,889)
Provisions	j	-	(655,712)	(655,712)
Provision for warrants exercisable in foreign currency	d	-	(5,260,726)	(5,260,726)
Other financial liabilities		-	-	-
		(9,831,171)	(5,260,726)	(15,091,897)
Non-current liabilities				
Provision for closure and reclamation	f	(5,053,000)	(514,000)	(5,567,000)
Total liabilities		(14,884,171)	(5,774,726)	(20,658,897)
Shareholder's equity				
Issued capital	g, h	(71,236,109)	2,128,631	(69,107,478)
Equity reserves	a, b, h	(11,022,942)	2,460,832	(8,562,110)
Accumulated other comprehensive income (loss)	h	(1,496,168)	1,496,168	-
Retained deficit	b, g, h	10,883,796	6,596,584	17,480,380
Equity attributable to owners of the Company		(72,871,423)	-	(72,871,423)
Non-controlling interest		-	-	-
Total equity		(72,871,423)	12,682,214	(60,189,209)
TOTAL LIABILITIES AND EQUITY		\$ (87,755,594)	\$ 6,907,488	\$ (80,848,106)

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Reconciliation of Consolidated Statement of Financial Position as of March 31, 2010

Canadian GAAP accounts	Notes	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Assets				
Current assets				
Cash and cash equivalents		\$ 8,288,399	\$ -	\$ 8,288,399
Receivables		1,021,145	-	1,021,145
Fuel duty recoverable		1,579,233	-	1,579,233
Inventories	h	16,071,903	(267,463)	15,804,440
Prepaid expenses and other current assets	h	2,760,716	(308,489)	2,452,227
		29,721,396	(575,952)	29,145,444
Non-current assets				
Fuel duty recoverable		3,279,889		3,279,889
Deposits & advances	h	9,802,492	(784,338)	9,018,154
Exploration and evaluation assets	e, h	4,665,025	(37,764)	4,627,261
Mine properties, plant and equipment	e, h	45,044,359	(6,088,165)	38,956,194
Other financial assets		2,868,919	-	2,868,919
Total assets		\$ 95,382,080	\$ (7,486,218)	\$ 87,895,862
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	j	\$ (8,678,328)	\$ 655,712	\$ (8,022,616)
Interest-bearing loans and borrowings		(521,073)	-	(521,073)
Provisions	j		(655,712)	(655,712)
Provision for warrants exercisable in foreign currency	d		(3,561,187)	(3,561,187)
Other financial liabilities			-	-
		(9,199,401)	(3,561,187)	(12,760,588)
Non-current liabilities				
Provisions	f	(5,166,750)	(455,750)	(5,622,500)
Total liabilities		(14,366,151)	(4,016,937)	(18,383,088)
Shareholder's equity				
Issued capital	g, h	(75,511,868)	70,564	(75,441,304)
Equity reserves	a, h	(13,233,535)	2,345,365	(10,888,170)
Accumulated other comprehensive income (loss)	h	(3,700,062)	3,700,062	-
Retained deficit	h	11,429,536	5,387,164	16,816,700
Equity attributable to owners of the Company		(81,015,929)	10,893,249	(70,122,680)
Non-controlling interest	i		609,906	609,906
Total equity		(81,015,929)	11,503,155	(69,512,774)
TOTAL LIABILITIES AND EQUITY		\$ (95,382,080)	\$ 7,486,218	\$ (87,895,862)

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Reconciliation of Consolidated Statement of Operations for the Three Months Ended March 31, 2010

Canadian GAAP accounts	Notes	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Operating revenues		\$ 19,466,619	\$ -	\$ 19,466,619
Operating expenses				
Mining and processing		(11,409,242)	-	(11,409,242)
Royalties		(1,358,440)	-	(1,358,440)
Depletion and depreciation	e	(1,373,968)	(33,748)	(1,407,716)
Total operating expenses		(14,141,650)	(33,748)	(14,175,398)
Mine operating earnings		5,324,969	(33,748)	5,291,221
Expenses				
Corporate and administrative costs		(711,958)	-	(711,958)
Share-based compensation		(2,382,567)	-	(2,382,567)
Other gains and losses	d, h	(2,683,407)	1,184,917	(1,498,490)
Finance income		25,044	-	25,044
Finance costs	f	(117,821)	58,250	(59,571)
Earnings/(loss) before income tax		(545,740)	1,209,419	663,679
Income tax expense		-	-	-
Earnings/(loss) and comprehensive income/(loss) for the period		\$ (545,740)	\$ 1,209,419	\$ 663,679
Earnings/(loss) and Comprehensive income/(loss) attributable to:				
Owners of the parent		\$ (545,740)	\$ 1,819,325	\$ 1,273,585
Non-controlling interest	i	-	(609,906)	(609,906)
		\$ (545,740)	\$ 1,209,419	\$ 663,679
Earnings/(loss) per share				
Basic (cents per share)		\$ (0.00)	\$	0.00
Diluted (cents per share)		\$ (0.00)	\$	0.00
Weighted average number of shares outstanding:				
Basic		295,537,770		295,537,770
Diluted		295,537,770		295,537,770

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Reconciliation of Consolidated Statement of Financial Position as of December 31, 2010

Canadian GAAP accounts	Notes	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Assets				
Current assets				
Cash and cash equivalents		\$ 38,610,362	\$ -	\$ 38,610,362
Receivables		1,430,702	-	1,430,702
Fuel duty recoverable		2,670,527	-	2,670,527
Inventories	h	15,608,019	(1,252,542)	14,355,477
Prepaid expenses and other current assets	h	8,663,577	(602,921)	8,060,656
		66,983,187	(1,855,463)	65,127,724
Non-current assets				
Fuel duty recoverable		2,955,809		2,955,809
Deposits & advances	h	11,888,874	(931,282)	10,957,592
Exploration and evaluation assets	c, e, h	30,278,948	(8,461,989)	21,816,959
Mine properties, plant and equipment	c, e, h	94,667,039	(9,647,087)	85,019,952
Other financial assets		2,716,857	-	2,716,857
Total assets		\$ 209,490,714	\$ (20,895,820)	\$ 188,594,894
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	j	\$ (15,061,617)	\$ 562,948	\$ (14,498,669)
Interest-bearing loans and borrowings		(521,282)	-	(521,282)
Provisions	j	-	(562,948)	(562,948)
Provision for warrants exercisable in foreign currency	d	-	-	-
Other financial liabilities		(1,108,084)	-	(1,108,084)
		(16,690,983)	-	(16,690,983)
Non-current liabilities				
Long term financial liabilities		(2,686,777)	-	(2,686,777)
Provisions	f	(3,767,000)	(2,392,000)	(6,159,000)
Deferred tax liabilities	c	(13,136,373)	13,136,373	-
Total liabilities		(36,281,133)	10,744,373	(25,536,760)
Shareholder's equity				
Issued capital	g, h	(126,679,802)	(1,716,528)	(128,396,330)
Commitment to issue shares		(3,823,709)	-	(3,823,709)
Equity reserves	a, h	(14,239,236)	2,036,544	(12,202,692)
Accumulated other comprehensive income (loss)	h	(7,893,204)	7,893,204	-
Retained earnings	h	(20,573,630)	1,938,227	(18,635,403)
Equity attributable to owners of the Company		(173,209,581)	15,776,743	(157,432,838)
Non-controlling interest	i	-	(5,625,296)	(5,625,296)
Total equity		(173,209,581)	10,151,447	(163,058,134)
TOTAL LIABILITIES AND EQUITY		\$ (209,490,714)	\$ 20,895,820	\$ (188,594,894)

AVION GOLD CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2011 and 2010
(Expressed in United States dollars unless otherwise noted)
RE-STATED

Reconciliation of Consolidated Statement of Operations for the Year Ended December 31, 2010

Canadian GAAP accounts	Notes	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Operating revenues		\$ 115,545,683	\$ -	\$ 115,545,683
Operating expenses				
Mining and processing		(53,486,908)	\$ -	(53,486,908)
Royalties		(7,273,258)	\$ -	(7,273,258)
Depletion and depreciation	e	(7,759,959)	\$ 363,750	(7,396,209)
Total operating expenses		(68,520,125)	363,750	(68,156,375)
Mine operating earnings		47,025,558	363,750	47,389,308
Expenses				
Corporate and administrative costs		(4,092,667)	-	(4,092,667)
Share-based compensation		(6,865,189)	-	(6,865,189)
Other gains and losses	d, h	(4,243,694)	3,834,245	(409,449)
Finance income		136,705	-	136,705
Finance costs	f	(503,287)	233,000	(270,287)
Earnings before income tax		31,457,426	4,430,995	35,888,421
Income tax expense		-	\$ -	-
Earnings and comprehensive income/(loss) for the period		\$ 31,457,426	\$ 4,430,995	\$ 35,888,421
Earnings/(loss) and Comprehensive income/(loss) attributable to:				
Owners of the parent		\$ 31,457,426	\$ (1,194,301)	30,263,125
Non-controlling interest	i	-	5,625,296	5,625,296
		\$ 31,457,426	\$ 4,430,995	\$ 35,888,421
Earnings/(loss) per share				
Basic (cents per share)		\$ 0.09		\$ 0.11
Diluted (cents per share)		\$ 0.09		\$ 0.10
Weighted average number of shares outstanding:				
Basic		338,542,201		338,542,201
Diluted		347,334,059		347,334,059

31. Re-statement of gold revenues

Due to an accounting error, the Company has restated the earnings for the three months ended March 31, 2011. As a result of a calculation error in accrued gold revenue, revenues were understated by \$4,293,500. Net earnings therefore increased by the same amount. Earnings attributable to the owner's of the parent increased by \$3,434,800 and earnings attributable to non-controlling interest increased by \$858,700.

Amounts receivable was also understated by \$4,293,500, resulting in an increase to current and total assets by the same amount. Non-controlling interest increased by \$858,700. Net operating cash flows were not affected as the change in earnings was offset by the change in working capital adjustments.