



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

for the six months ended June 30, 2011 and 2010
(expressed in United States dollars)

UNAUDITED

AVION GOLD CORPORATION

Condensed Interim Consolidated Statements of Financial Position

Unaudited

Expressed in United States dollars

	Notes	June 30, 2011	December 31, 2010
ASSETS			
Current assets:			
Cash and cash equivalents		\$ 9,746,500	\$ 38,610,362
Amounts receivable	6	12,169,734	1,430,702
Fuel duty recoverable	7	6,309,908	2,670,527
Inventories	9	18,570,425	14,355,478
Prepaid expenses	8	5,265,260	8,060,656
		52,061,827	65,127,725
Non-current assets:			
Fuel duty recoverable	7	772,451	2,955,809
Deposits and advances	8	23,072,434	10,957,592
Exploration and evaluation properties	10	27,695,736	21,816,959
Mine properties, plant and equipment	11	150,616,836	85,019,952
Other financial assets	12	1,891,804	2,716,857
TOTAL ASSETS		\$ 256,111,088	\$ 188,594,894
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable	13	\$ 23,454,853	\$ 14,498,669
Interest-bearing loans	14	582,598	521,282
Capital leases	15	1,490,286	1,108,084
Provisions	16	623,388	562,948
		26,151,125	16,690,983
Non-current liabilities :			
Long-term debt	10, 17	10,798,259	81,234
Capital leases	15	3,060,649	2,605,543
Provision for closure and reclamation	16	6,282,500	6,159,000
Total liabilities		46,292,533	25,536,760
Equity:			
Share capital	18	148,036,458	128,396,329
Commitment to issue shares	10	2,791,884	3,823,709
Share-based payments reserves	19	12,353,060	12,202,692
Retained earnings		34,761,856	13,010,108
Equity attributable to owners of the Company		197,943,258	157,432,838
Non-controlling interest	11	11,875,297	5,625,296
Total equity		209,818,555	163,058,134
TOTAL LIABILITIES AND EQUITY		\$ 256,111,088	\$ 188,594,894
Commitments and contingencies	28		
Subsequent events	29		

Approved on behalf of the Directors on August 11, 2011:

"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 June 30		Six months ended June 30	
		2011	2010	2011	2010
Operating revenues	20	\$ 37,889,830	\$ 26,037,764	\$ 69,677,720	\$ 45,504,383
Operating expenses					
Mining and processing		(12,822,914)	(15,401,268)	(25,840,154)	(26,810,510)
Royalties		(2,458,430)	(1,817,196)	(3,932,023)	(3,175,636)
Depletion and depreciation		(4,131,748)	(2,295,218)	(5,691,804)	(3,702,934)
Total operating expenses		(19,413,092)	(19,513,682)	(35,463,981)	(33,689,080)
Mine operating earnings		18,476,738	6,524,082	34,213,739	11,815,303
Expenses					
Corporate and administrative costs		(1,150,011)	(1,358,669)	(2,217,187)	(2,070,627)
Share-based compensation	19	(337,725)	(3,860,973)	(3,817,498)	(6,243,540)
Other gains and losses	22	(1,632,398)	(936,002)	(166,219)	(2,434,492)
Finance income		11,609	24,755	64,944	49,799
Finance costs	23	(161,417)	(59,564)	(306,278)	(119,135)
Earnings and comprehensive income for the period		\$ 15,206,796	\$ 333,629	\$ 27,771,501	\$ 997,308
Earnings and Comprehensive income attributable to:					
Controlling interest		\$ 10,777,059	\$ (1,359,225)	\$ 21,521,500	\$ (85,640)
Non-controlling interest	11	4,429,737	1,692,854	6,250,001	1,082,948
		\$ 15,206,796	\$ 333,629	\$ 27,771,501	\$ 997,308
Earnings per share					
Basic	24	\$ 0.04	\$ 0.00	\$ 0.07	\$ 0.00
Diluted	24	\$ 0.04	\$ 0.00	\$ 0.07	\$ 0.00
Earnings per share, controlling interest					
Basic	24	\$ 0.03	\$ (0.00)	\$ 0.05	\$ (0.00)
Diluted	24	\$ 0.03	\$ (0.00)	\$ 0.05	\$ (0.00)
Weighted average number of shares outstanding:					
Basic	24	400,826,262	329,009,413	393,815,473	312,366,055
Diluted	24	416,080,802	334,558,490	409,279,213	318,467,810

AVION GOLD CORPORATION

Condensed Interim Consolidated Statements of Cash Flows

Unaudited

Expressed in United States dollars

	Notes	Three months ended June 30		Six months ended June 30	
		2011	2010	2011	2010
Cash provided by (used in) operating activities:					
Net earnings/(loss)	31	\$ 15,206,796	\$ 333,629	\$ 27,771,501	\$ 997,308
Items not involving cash:					
Stock-based compensation	19	337,725	3,860,973	3,817,498	6,243,540
Depreciation, depletion and amortization	11	4,054,995	2,537,152	6,077,108	4,094,069
Unrealized (gains)/losses on marketable securities	12	878,918	875,295	889,834	1,595,149
Unrealized foreign exchange gains/losses		770,295	794,175	138,957	651,450
Non-cash financing and accretion expense	16	61,750	55,500	123,500	111,000
Working capital adjustments:					
Change in receivables	31	(7,099,002)	(22,626)	(12,195,055)	(64,632)
Change in prepaid expenses and other current assets		2,141,211	166,563	2,795,396	2,054,256
Change in inventories		(5,067,416)	1,094,024	(4,305,793)	(2,842,562)
Change in payables and provisions		259,439	2,839,062	1,829,391	1,568,704
Net cash provided by operating activities		11,544,710	12,533,747	26,942,336	14,408,282
Investing activities					
Acquisition of investment in marketable securities		-	-	-	(405,363)
Investment in exploration and evaluation of assets		(2,610,082)	(535,275)	(5,180,762)	(1,068,703)
Expenditures on mine properties, plant and equipment		(33,431,671)	(14,055,011)	(70,080,869)	(24,304,858)
Working capital adjustments related to investing activities		(5,574,297)	(2,758,437)	(4,949,895)	(6,291,934)
Net cash provided by (used) in the investing activities		(41,616,050)	(17,348,723)	(80,211,526)	(32,070,858)
Financing activities					
Public offering		-	27,629,083	-	27,629,083
Cost of issue		-	(2,192,862)	-	(2,192,862)
Exercise of warrants/options		11,086,492	2,341,706	14,482,375	3,019,419
Drawdown of credit facility		10,791,859	-	10,791,859	-
Capital lease payments		(372,079)	-	(675,388)	-
Net cash provided by (used in) financing activities		21,506,272	27,777,927	24,598,846	28,455,640
Effect of exchange rate changes on cash and cash equivalents		(759,356)	(17,182)	(193,519)	(100,752)
Change in cash and cash equivalents		(9,324,423)	22,945,769	(28,863,862)	10,692,312
Cash and cash equivalents, beginning of the period		19,070,923	8,288,399	38,610,362	20,541,856
Cash and cash equivalents, end of the period		\$ 9,746,500	\$ 31,234,168	\$ 9,746,500	\$ 31,234,168
Cash and cash equivalents are comprised of:					
Cash in bank		\$ 3,462,535	\$ 5,704,581	\$ 3,462,535	\$ 5,704,581
Cash equivalents		\$ 6,283,965	\$ 25,529,587	\$ 6,283,965	\$ 25,529,587
Non-cash investing and financing transactions					
Common shares issued for acquisition of exploration property		\$ 351,599	\$ -	\$ 432,514	\$ 3,387,206
Common shares committed to be issued for acquisition of exploration property		\$ -	\$ -	\$ 242,745	\$ -
Depreciation charged to mine property, plant and equipment		\$ 121,238	\$ 1,681	\$ 254,893	\$ 3,361
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

	Number of shares	Share Capital	Commitment to issue shares	Share-based payments reserve	Retained earnings	Non-controlling interest	Total
Balance, December 31, 2010	383,767,272	\$ 128,396,329	\$ 3,823,709	\$ 12,202,692	\$ 7,384,812	\$ 5,625,296	\$ 157,432,838
Exercise of warrants and broker warrants	20,157,171	13,458,654	-	-	-	-	13,458,654
Valuation allocation on exercise of warrants and broker warrants	-	2,698,377	-	(2,698,377)	-	-	-
Exercise of stock options	1,806,250	1,023,721	-	-	-	-	1,023,721
Valuation allocation on exercise of stock options	-	752,293	-	(752,293)	-	-	-
Share-based payments for the acquisition of exploration properties	987,500	1,707,084	(1,031,825)	-	-	-	675,259
Stock based compensation	-	-	-	3,817,498	-	-	3,817,498
Foreign exchange	-	-	-	13,788	-	-	13,788
Value of expired warrants or options	-	-	-	(230,248)	230,248	-	-
Net earnings for the period	-	-	-	-	21,521,500	6,250,001	27,771,501
Balance, June 30, 2011	406,718,193	\$ 148,036,458	\$ 2,791,884	\$ 12,353,060	\$ 29,136,560	\$ 11,875,297	\$ 204,193,259
Balance at January 1, 2010	285,708,117	\$ 69,107,478	\$ -	\$ 8,562,111	\$ (17,480,381)	\$ -	\$ 60,189,208
Public offering	48,070,000	27,629,083	-	-	-	-	27,629,083
Value of broker warrants granted	-	(466,932)	-	466,932	-	-	-
Exercise of warrants and broker warrants	8,264,150	1,093,979	-	-	-	-	1,093,979
Valuation allocation on exercise of warrants and broker warrants	-	684,590	-	(684,590)	-	-	-
Allocation of provision for warrants exercisable in a foreign currency on exercise	-	3,520,373	-	195,191	-	-	3,715,564
Exercise of stock options	3,661,781	1,925,440	-	-	-	-	1,925,440
Valuation allocation on exercise of stock options	-	103,663	-	(103,663)	-	-	-
Common shares issued for the acquisition of exploration properties	7,608,696	3,387,206	-	-	-	-	3,387,206
Value of expired warrants or options	-	-	-	198,897	(198,897)	-	-
Adjustment to value of shares issued for subsidiary	-	(134,438)	-	-	-	-	(134,438)
Stock based compensation	-	-	-	6,243,540	-	-	6,243,540
Cost of issue	-	(2,187,489)	-	-	-	-	(2,187,489)
Net earnings/(loss) for the period	-	-	-	-	(85,640)	1,082,948	997,308
Balance, June 30, 2010	353,312,744	\$ 104,662,953	\$ -	\$ 14,878,418	\$ (17,764,918)	\$ 1,082,948	\$ 102,859,401

- 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
June 30, 2011 and 2010
(Expressed in United States dollars unless otherwise noted)

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 existing pursuant to the laws of Ontario, Canada. The Company's shares are listed on the Toronto Stock Exchange. The Company's head office is located at 65 Queen St. West, Toronto, Ontario, Canada, M5H 2M5.

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. Please see our March 31, 2011 condensed interim consolidated financial statements and accompanying notes for a description of the significant accounting policies used by the Company. The policies set out in the Company's March 31, 2011 financial statements were consistently applied to all the periods presented unless otherwise noted below or in the March 31, 2011 financial statements.

Prior to 2011, the Company's consolidated financial statements were 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 have been 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.

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 7, Financial Instruments – Disclosures ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements.

IFRS 9, Financial Instruments -- Classification and Measurement ("IFRS 9") was issued November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting 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, with early adoption permitted. The Company has not yet determined the potential impact of the amendments to IFRS 9 on its financial statements.

AVION GOLD CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2011 and 2010
(Expressed in United States dollars unless otherwise noted)

IFRS 10 Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 10 on its financial statements.

IFRS 11 Joint Arrangements ("IFRS 11") replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previously jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairments of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements.

IFRS 13 Fair Value Measurement converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its financial statements.

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.

AVION GOLD CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2011 and 2010
(Expressed in United States dollars unless otherwise noted)

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.

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
- Revenue recognition

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

AVION GOLD CORPORATION
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6. Amounts receivable

	June 30, 2011	December 31, 2010
Gold sales receivable	\$ 10,481,347	\$ -
Refundable taxes	1,423,036	870,932
Reimbursable expenditures	211,178	445,543
Proceeds from exercise of stock options	54,173	114,227
	<u>\$ 12,169,734</u>	<u>\$ 1,430,702</u>

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

7. Fuel duty recoverable

	June 30, 2011	December 31, 2010
Balance, beginning of period	\$ 5,626,336	\$ 4,742,989
Additions	1,320,404	2,954,113
Recoveries	(468,433)	(1,714,582)
Foreign exchange translation gains and losses	604,052	(356,184)
Balance, end of period	7,082,359	5,626,336
Current portion	6,309,908	2,670,527
Long term portion	<u>\$ 772,451</u>	<u>\$ 2,955,809</u>

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 June 30, 2011 is 3,227,785,319 CFA (\$7,082,358) (December 31, 2010: 2,839,499,113 FCFA (\$5,626,336)).

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

8. Prepaid expenses

	June 30, 2011	December 31, 2010
Mining supplier advances	\$ 3,956,771	\$ 7,471,641
Administrative advances	274,539	71,158
Prepaid insurance	59,548	107,564
Tax advances	974,402	410,293
	<u>\$ 5,265,260</u>	<u>\$ 8,060,656</u>

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.

	June 30, 2011	December 31, 2010
Long-term deposits and advances	<u>\$ 23,072,434</u>	<u>\$ 10,957,592</u>

AVION GOLD CORPORATION
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9. Inventories

	June 30, 2011	December 31, 2010
At cost :		
Gold doré	\$ 1,487,541	\$ 1,779,182
In-process precious metals	479,366	234,655
Stockpiled ore	3,841,733	4,069,740
Spare parts and supplies	12,761,785	8,271,901
	<u>\$ 18,570,425</u>	<u>\$ 14,355,478</u>

The amount of inventories recognized as an expense during the three and six months ended June 30, 2011 is \$16.9 million and \$31.4 million respectively (three and six months ended June 30, 2010: \$17.7 million; \$30.5 million).

10. Exploration and evaluation properties

Cost and net book value as at December 31, 2010	\$ 21,816,959
Additions	<u>5,878,777</u>
Cost and net book value as at June 30, 2011	<u>\$ 27,695,736</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 in relation to the six concessions closed on:

AVION GOLD CORPORATION
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(Expressed in United States dollars unless otherwise noted)

<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>
Re: Kofi Nord, Kofi Dabara, Walia (ACGRI) and Dianissi concessions				
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	\$1,274,570
Re: Walia Saakola and Walia West concessions				
March 11, 2011 (closing, paid and issued)	\$6,250	56,250	\$80,438	\$80,915
September 11, 2011	\$6,250	56,250	\$80,438	\$80,915
March 11, 2012	\$6,250	56,250	\$80,438	\$80,915
September 11, 2012	\$6,250	56,250	\$80,438	\$80,915
COMMITMENT TO ISSUE SHARES				\$2,791,884

The current portion of the cash liability due, CDN\$175,000 (\$179,211) is included in accounts payable. The long-term portion, CDN\$6,250 (\$6,400) is included in long-term debt.

- d) In June 2011, the Company closed the acquisition of a further 12.5% interest in the Kofi Nord and Netekoto-Kenieti concessions from African Goldfields Corporation ("AGC"). As a result of this acquisition, Avion's interest in the Kofi Nord and Netekoto-Kenieti concessions has increased from 81.25% and 87.5% to 93.75% and 100% respectively with the remaining 6.25% of Kofi Nord held by Société Financière d'Exploration d'Or au Mali. Total consideration for this increased interest was CDN\$65,000 (US\$66,478) in cash and 200,000 common shares of Avion which were valued on the date of grant at \$351,599.

11. Mine properties, plant and equipment

Mine properties are comprised primarily 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 subject to a 6% NSR payable to the Government of Mali on these projects.

As at June 30, 2011, mine properties, plant and equipment included assets acquired under capital leases totaling approximately \$7,800,000 (December 31, 2010: \$6,250,000).

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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 December 31, 2010	\$ 45,564,568	\$ 6,783,788	\$ 3,326,532	\$ 21,781,312	\$ 14,781,391	\$ 6,052,382	\$ 98,289,974
Additions	48,322,343	10,952,790	-	4,335,408	6,205,221	1,767,384	71,583,146
Transfer to producing mines	(9,306,434)	9,306,434	-	-	-	-	-
Cost as at June 30, 2011	84,580,477	27,043,012	3,326,532	26,116,720	20,986,612	7,819,766	169,873,120
Accumulated Depreciation, depletion and impairment as at December 31, 2010	-	(5,020,980)	(2,941,228)	(425,107)	(4,882,707)	-	(13,270,021)
Charge for the period	-	(3,610,098)	(385,304)	(924,003)	(814,674)	(252,183)	(5,986,262)
Accumulated Depreciation, depletion and impairment as at June 30, 2011	\$ -	\$ (8,631,078)	\$ (3,326,532)	\$ (1,349,110)	\$ (5,697,381)	\$ (252,183)	\$ (19,256,283)
Net book value as at December 31, 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 June 30, 2011	\$ 84,580,477	\$ 18,411,934	\$ -	\$ 24,767,610	\$ 15,289,231	\$ 7,567,583	\$ 150,616,836

12. 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:

	Classification	June 30, 2011		December 31, 2010	
		No. held	Value	No. held	Value
Long term					
Midlands Minerals Corporation	FVTPL	10,278,500	\$ 1,789,397	9,098,500	\$ 2,576,885
Yellowhead Mining Inc.	FVTPL	100,000	\$ 102,407	100,000	\$ 139,972
			\$ 1,891,804		\$ 2,716,857

The Company has recognized an unrealized loss on their FVTPL investments of \$878,918 and \$889,834 for the three and six months ended June 30, 2011 (three and six months ended June 30, 2010: \$875,295 and \$1,595,149).

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.

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13. Accounts Payable

	June 30, 2011	December 31, 2010
Mining and milling suppliers and contractors (including underground development payables)	\$ 19,455,437	\$ 11,646,606
Mali royalty payable	1,600,024	1,111,072
Payroll and other statutory liabilities	899,941	235,913
Corporate payables	1,499,451	1,505,078
	<u>\$ 23,454,853</u>	<u>\$ 14,498,669</u>

14. 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 June 30, 2011 is 265,519,271 FCFA (\$582,598) (December 31, 2010: 236,081,031 FCFA (\$521,282)), 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 and six months ended June 30, 2011, interest expense related to this loan totalled \$2,689 and \$5,248 (three and six months ended June 30, 2010: \$3,804 and \$7,875).

15. Capital leases

Finance leases relate to mining 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 June 30, 2011, the capital leases were composed of the following obligations:

2011	\$ 920,780
2012	1,639,525
2013	1,350,894
2014	1,197,511
2015	70,225
	<u>5,178,935</u>
Less: Amounts representing interest	(628,000)
	<u>\$ 4,550,935</u>
Less: Current portion	\$ 1,490,286
Long-term portion	<u>\$ 3,060,649</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 \$7,570,000 at June 30, 2011(December 31, 2010: \$6,050,000).

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16. Provisions

	Rehabilitation	Other	Total
Balance at December 31, 2010	\$ 6,159,000	\$ 562,948	\$ 6,721,948
Additional provisions recognised	-	-	-
Unwinding of discount and effect of changes in the discount rate	123,500	-	123,500
Foreign exchange	-	60,440	60,440
Balance at June 30, 2011	\$ 6,282,500	\$ 623,388	\$ 6,905,888

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 2022. 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.

17. Long-term debt

In May 2011, the Company completed the equivalent of a US\$ 35 million credit facility, which is being provided by Banque Atlantique Mali S.A., a subsidiary of Atlantic Financial Group ("AFG"). Funds are drawn down and repaid in FCFA's. 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 flexibility with regards to draw downs and pre-payments and has no gold hedging requirements. This facility is unsecured. The equivalent of \$10,791,859 (FCFA 4,919,677,500) was drawn down from the facility as at June 30, 2011. The Company has accrued \$47,217 in interest related to the amounts drawn down and has recorded this amount in accounts payable. Interest related to this debt is being capitalized to the mine properties, plant and equipment under development.

18. Issued capital

a) As at June 30, 2011 and December 31, 2010, the Company's authorized number of common shares was unlimited without par value.

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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 and broker warrants	20,157,171	13,458,654
Exercise of warrants -- value allocation	-	2,698,377
Exercise of stock options	1,806,250	1,023,721
Exercise of stock options -- value allocation	-	752,293
Property acquisition	987,500	1,707,084
Balance, June 30, 2011	406,718,193	\$ 148,036,458

(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.

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	(1,474,159)	(3,450,619)
Expired	(1,409,219)	0.60	(183,551)	-	-	-	(183,551)
Forfeited	(262,500)	0.17	(43,810)	-	-	-	(43,810)
December 31, 2010	26,418,750	\$ 0.63	\$ 9,289,888	21,702,172	\$ 0.64	\$ 2,912,804	\$ 12,202,692
Granted	4,880,000	1.66	3,817,498	-	-	-	3,817,498
Exercised	(1,806,250)	0.55	(752,293)	(20,157,171)	0.65	(2,698,377)	(3,450,670)
Expired	(290,000)	0.81	(158,772)	(545,001)	0.65	(71,476)	(230,248)
Forfeited	-	-	-	-	-	-	-
Adjustment	-	-	13,788	-	-	-	13,788
June 30, 2011	29,202,500	\$ 0.80	\$ 12,210,109	1,000,000	\$ 0.60	\$ 142,951	\$ 12,353,060

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Employee share option plan

The Company has an ownership-based compensation scheme for executives, consultants and employees. In accordance with the terms of the plan, as approved by shareholders at the June 2011 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 10% Rolling Stock Option Plan (the "Plan"), whereby the number of common shares reserved for issuance under the Plan equals 10% of the of the number of issued and outstanding Common Shares at the time of the stock option grant, from time to time.

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:

No. outstanding	No. exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	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	132%	2.19	0%	2.03%
900,000	900,000	6-May-09	22-Mar-12	\$ 0.73	\$ 140,526	120%	2.88	0%	2.03%
75,000	75,000	6-May-09	9-Apr-12	\$ 1.01	\$ 10,717	119%	2.93	0%	2.03%
167,500	167,500	6-May-09	20-Jun-12	\$ 0.92	\$ 30,166	136%	3.13	0%	2.03%
3,525,000	3,525,000	6-May-09	3-Oct-12	\$ 1.07	\$ 640,801	135%	3.41	0%	2.03%
1,140,000	1,140,000	13-Jan-08	10-Jan-13	\$ 0.50	\$ 310,689	92%	5.00	0%	3.61%
2,800,000	2,800,000	27-May-08	27-May-13	\$ 0.51	\$ 925,650	111%	5.00	0%	3.30%
310,000	310,000	6-Jun-08	6-Jun-13	\$ 0.51	\$ 102,233	111%	5.00	0%	3.20%
1,075,000	1,075,000	19-Sep-08	19-Sep-13	\$ 0.20	\$ 139,094	111%	5.00	0%	3.00%
1,880,000	1,880,000	6-Apr-09	6-Apr-14	\$ 0.29	\$ 407,559	125%	5.00	0%	1.80%
100,000	100,000	4-May-09	4-May-14	\$ 0.33	\$ 24,687	125%	5.00	0%	2.03%
65,000	65,000	31-Jul-09	31-Jul-14	\$ 0.32	\$ 15,529	124%	5.00	0%	2.66%
100,000	75,000	6-Jan-10	6-Jan-15	\$ 0.73	\$ 59,632	123%	5.00	0%	2.74%
200,000	150,000	23-Feb-10	23-Feb-15	\$ 0.60	\$ 94,822	121%	5.00	0%	2.51%
3,175,000	3,175,000	12-Mar-10	12-Mar-15	\$ 0.67	\$ 1,768,934	124%	5.00	0%	2.83%
190,000	190,000	29-Mar-10	29-Mar-15	\$ 0.70	\$ 107,541	125%	5.00	0%	2.90%
135,000	97,500	1-Jun-10	1-Jun-15	\$ 0.60	\$ 62,511	122%	5.00	0%	2.61%
7,820,000	7,782,500	7-Jun-10	7-Jun-15	\$ 0.60	\$ 3,221,511	124%	5.00	0%	2.58%
440,000	440,000	19-Nov-10	19-Nov-15	\$ 1.02	\$ 354,201	120%	5.00	0%	2.32%
500,000	500,000	26-Jan-11	26-Jan-16	\$ 1.60	\$ 387,862	72%	3.00	0%	2.56%
780,000	513,333	25-Feb-11	25-Feb-16	\$ 1.65	\$ 473,436	72%	3.00	0%	2.56%
50,000	50,000	1-Mar-11	1-Mar-16	\$ 1.70	\$ 43,228	72%	3.00	0%	2.60%
3,065,000	2,952,500	24-Mar-11	24-Mar-16	\$ 1.71	\$ 2,552,195	72%	3.00	0%	2.61%
410,000	410,000	12-May-11	12-May-16	\$ 1.35	\$ 282,049	72%	3.00	0%	2.60%
29,202,500	28,673,333				\$ 12,210,109				

Fair value of share options granted in the year

The weighted average grant date fair value of the share options granted during the six-month period ended June 30, 2011 is \$0.78 (six months ended June 30, 2010: \$0.50). 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 – 3 to 5 years. The expected life of the option was calculated based on the history of option exercises.

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20. Revenue

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Gold	\$ 37,772,410	\$ 25,928,672	\$ 69,262,278	\$ 45,354,054
Silver	117,420	109,092	415,442	150,329
	<u>\$ 37,889,830</u>	<u>\$ 26,037,764</u>	<u>\$ 69,677,720</u>	<u>\$ 45,504,383</u>

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

	Current Assets	Properties, Plant and Equipment	Mine Properties, Plant and Equipment	Evaluation and exploration properties	Other Long Term Assets	TOTAL ASSETS
<u>June 30, 2011</u>						
Canada	11,867,104	-	-	-	1,891,804	13,758,908
Mali	40,194,723	7,618,070	142,998,766	15,094,995	23,844,885	229,751,439
Burkina Faso	-	-	-	12,600,741	-	12,600,741
	<u>52,061,827</u>	<u>7,618,070</u>	<u>142,998,766</u>	<u>27,695,736</u>	<u>25,736,689</u>	<u>256,111,088</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>

22. Other gains and losses

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Net foreign exchange gains/(losses)	\$ (753,480)	\$ (1,050,019)	\$ 723,615	\$ (1,349,288)
Net gain on revaluation of warrant provision	-	1,077,486	-	\$ 598,119
Net gain/(loss) arising on financial assets designated as at fair value through profit or loss ("FVTPL")	(878,918)	(875,295)	(889,834)	(1,595,149)
Exploration expenditures	-	(88,174)	-	(88,174)
	<u>\$ (1,632,398)</u>	<u>\$ (936,002)</u>	<u>\$ (166,219)</u>	<u>\$ (2,434,492)</u>

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23. Finance costs

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Interest on obligations under finance leases	\$ 96,978	\$ -	\$ 177,530	\$ -
Accretion expense on rehabilitation provision	61,750	55,500	123,500	111,000
Other interest expense	2,689	4,064	5,248	8,135
	\$ 161,417	\$ 59,564	\$ 306,278	\$ 119,135

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 three and six month periods ended June 30, 2011 were 4,345,000 (June 30, 2010 – 12,017,500) and nil (June 30, 2010 – 28,275,000), respectively.

25. Financial instruments

Financial assets and financial liabilities as at June 30, 2011 and December 31, 2010 were as follows:

June 30, 2011	Cash, loans and receivables	Assets /(liabilities) at fair value through profit	Total
Cash and cash equivalents	9,746,500	-	9,746,500
Receivables	18,479,642	-	18,479,642
Other financial assets non-current	772,451	1,891,804	2,664,255
Accounts payable and accrued liabilities	23,454,853	-	23,454,853
Interest-bearing loans and borrowings-current	582,598	-	582,598
Interest -bearing loans and borrowings-non-current	10,791,859	-	10,791,859
Other financial liabilities current	1,490,286	-	1,490,286
Other financial liabilities non-current	3,060,649	-	3,060,649
Other payables	629,788	-	629,788

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 and accrued liabilities	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

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 six months ended June 30, 2011 and 2010.

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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 June 30, 2011, the Company had a cash and cash equivalents balance of \$9,746,500 (December 31, 2010: \$38,610,362) to settle current liabilities of \$26,185,692 (December 31, 2010: \$16,690,893).

Market risk

(a) Interest rate risk

The Company has cash and cash equivalent balances at June 30, 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. A significant portion of the Company's interest-bearing debt accrues interest at a fixed rate.

(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.

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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:

Balances as at June 30, 2011	CAD\$	FCFA	Euros
Cash and cash equivalents	1,048,911	(2,899,882)	-
Amounts receivable	331,772	1,356,615	-
Fuel duty recoverable	-	7,082,359	-
Investments	1,891,804	-	-
Accounts payable and accrued liabilities	(2,528,643)	(21,459,188)	-
Shareholder loan	-	(582,599)	-
Long term liabilities	-	(10,791,859)	-
Capital lease obligations	(307,487)	-	-
Net balance sheet exposure	436,357	(27,294,554)	-

Balances as at December 31, 2010	CAD\$	FCFA	Euros
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	21,536,946	(3,370,481)	(101,801)

iii) Translation exposure

The Company's operations translate their operating results from the local countries' 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.

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.

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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 June 30, 2011 compared to the Canadian Dollar, with all other variables held constant, would impact the Company's net earnings by approximately \$44,000.

A 10% change in the United States Dollar exchange rate as at June 30, 2011 compared to the FCFA, with all other variables held constant, would impact the Company's net earnings by approximately \$2,700,000.

Price risk

A 10% change in the average gold price during the six months ended June 30, 2011 with all other variables constant, would have resulted in an impact to earnings of approximately \$6,900,000.

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 six months ended June 30, 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%

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.

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	Purchases of goods and services			
	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
2227929 Ontario Inc.	\$ 125,981	\$ 115,104	\$ 212,382	\$ 189,195
Forbes & Manhattan, Inc.	\$ 15,496	\$ 14,590	\$ 30,682	\$ 28,891

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

Mr. Stan Bharti, a director of the Company, is the Executive Chairman 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	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
2227929 Ontario Inc.	\$ 277,670	\$ 35,485	-	-
Other (various)	53,810	20,235	-	-
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 June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Short-term benefits	\$ 343,819	\$ 930,937	\$ 677,674	\$ 1,204,030
Share-based payments	-	2,639,518	2,103,953	4,255,237

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 \$630,000 at June 30, 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 \$400,000 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

Subsequent to June 30, 2011, 1,000,000 warrants were exercised generating cash proceeds of \$600,000, and 2,536,250 stock options were exercised generating approximately \$1,550,000. Included in the number of stock options exercised is 1,212,500 which is the number of stock options exercised by directors and officers.

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.
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.

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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 (June 30, 2010 - \$198,897).

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 June 30, 2010.

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.

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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	3,715,564
Fair value adjustments to earnings	598,119
June 30, 2010	\$ (947,043)
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, while at June 30, 2010, an adjustment of \$245,254 was made.

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 (June 30, 2010: \$130,145).

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.

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.

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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 (June 30, 2011: \$116,500).

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:

	June 30, 2010	December 31, 2010
Inventories	\$ 1,289,521	\$ (42,682)
Prepaid expenses and other current assets	(119,223)	(141,928)
Deposits and advances	54,014	(698,212)
Exploration and evaluation assets	-	4,133
Mine properties, plant and equipment	(102,168)	(2,448,020)
Issued capital	92,057	407,436
Equity reserves	(182,809)	(407,436)
Accumulated other comprehensive income (loss)	(54,861)	6,397,036
Retained deficit	(976,531)	(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.

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).

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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 June 30, 2010

Full reconciliations

Canadian GAAP accounts	Notes	Canadian GAAP Balances	IFRS Adjustments	IFRS Adjustments, 2009	IFRS reclassification	IFRS Adjustments aro accret	IFRS Adjustments aro depl	IFRS Adjustments purch disc amort	IFRS Adjustments warr	functional currency change	IFRS Balance
Assets											
Current assets											
Cash and cash equivalents		\$ 31,234,168	\$ -	\$ -							\$ 31,234,168
Receivables		1,038,233	-	-							1,038,233
Fuel duty recoverable		1,579,233	-	-							1,579,233
Inventories	h	14,630,755	79,661	(1,208,860)						1,289,521	14,710,416
Prepaid expenses and other current assets	h	2,865,880	(580,216)	(460,993)						(119,223)	2,285,664
		51,348,269	(500,555)	(1,670,853)						1,170,298	50,847,714
Non-current assets											
Fuel duty recoverable		3,285,427	-	-							3,285,427
Deposits and advances	h	10,082,335	(179,056)	(233,070)						54,014	9,903,279
Exploration and evaluation assets		4,738,159	-	-							4,738,159
Mine properties, plant and equipment	e, h	55,414,036	(4,990,625)	(5,003,566)			(130,145)	245,254		(102,168)	50,423,411
Other financial assets		1,906,343	-	-							1,906,343
Total assets		\$ 126,774,569	\$ (5,670,236)	\$ (6,907,488)	\$ -	\$ -	\$ (130,145)	\$ 245,254	\$ -	\$ 1,122,144	\$ 121,104,333
Liabilities											
Current liabilities											
Accounts payable and accrued liabilities	j	\$ (10,998,788)	\$ 655,712	\$ 655,712							\$ (10,343,076)
Interest-bearing loans and borrowings		(475,488)	-	-							(475,488)
Provisions	j	-	(655,712)	(655,712)							(655,712)
Provision for warrants exercisable in foreign currency	d	-	(947,043)	(5,260,726)					4,313,683		(947,043)
Other financial liabilities		-	-	-							-
		(11,474,276)	(947,043)	(5,260,726)					4,313,683		(12,421,319)
Non-current liabilities											
Provisions	f	(5,280,500)	(397,500)	(514,000)		116,500					(5,678,000)
Total liabilities		(16,754,776)	(1,344,543)	(5,774,726)	-	116,500	-	-	4,313,683	-	(18,099,319)
Shareholders' Equity											
Issued capital	g, h	(103,363,268)	(1,299,685)	2,128,631					(3,520,373)	92,057	(104,662,953)
Equity reserves	a, b, h	(16,853,104)	2,278,023	2,460,832	198,897				(195,191)	(186,515)	(14,575,081)
Accumulated other comprehensive income (loss)	h	(1,441,307)	1,441,307	1,496,168						(54,861)	-
Retained deficit	b, f, g, h, i	11,637,886	4,595,134	6,596,584	(198,897)	(116,500)	130,145	(245,254)	(598,119)	(972,825)	16,233,020
Equity attributable to owners of the Company		(110,019,793)	8,097,727								(101,922,066)
Non-controlling interest	i	-	(1,082,948)							(1,082,948)	(1,082,948)
Total equity		(110,019,793)	7,014,779	12,682,214	-	(116,500)	130,145	(245,254)	(4,313,683)	(1,122,144)	(103,005,014)
TOTAL LIABILITIES AND EQUITY		\$ (126,774,569)	\$ 5,670,236	\$ 6,907,488	\$ -	\$ -	\$ 130,145	\$ (245,254)	\$ -	\$ (1,122,144)	\$ (121,104,333)

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Reconciliation of Consolidated Statement of Operations for the Six Months Ended June 30, 2010

Canadian GAAP accounts	Notes	Canadian GAAP Balances	IFRS Adjustments	IFRS Adjustments	IFRS reclassifications				IFRS Balance
Operating revenues		\$ 45,504,383	\$ -						\$ 45,504,383
Operating expenses									
Mining and processing		(26,810,510)	-						(26,810,510)
Royalties		(3,175,636)	-						(3,175,636)
Depletion and depreciation	e	(3,818,043)	115,109		(130,145)	245,254			(3,702,934)
Total operating expenses		(33,804,189)	115,109	-	(130,145)	245,254	-	-	(33,689,080)
Mine operating earnings		11,700,194	115,109	-	(130,145)	245,254	-	-	11,815,303
Expenses									
Corporate and administrative costs		(2,070,627)	-						(2,070,627)
Share-based compensation		(6,243,540)	-						(6,243,540)
Other gains and losses	d, h	(3,954,281)	1,516,083				598,119	917,964	(2,438,198)
Finance income		49,799	-						49,799
Finance costs	f	(235,635)	116,500		116,500				(119,135)
Earnings/(loss) for the period		(754,090)	1,747,692	-	116,500	(130,145)	245,254	598,119	917,964
Other comprehensive income/loss		(54,861)	54,861					54,861	-
Earnings/(loss) and comprehensive income/(loss) for the period		\$ (808,951)	\$ 1,802,553	\$ -	\$ 116,500	\$ (130,145)	\$ 245,254	\$ 598,119	\$ 972,825
Earnings/(loss) and Comprehensive income/(loss) attributable to:									
Owners of the parent		\$ (808,951)	\$ 719,605						\$ (89,346)
Non-controlling interest	i	-	1,082,948						1,082,948
Earnings/(loss) per share		\$ (808,951)	\$ 1,802,553						\$ 993,602
Basic (cents per share)		\$ (0.00)							\$ 0.00
Diluted (cents per share)		\$ (0.00)							\$ 0.00
Weighted average number of shares outstanding:									
Basic		312,366,055							312,366,055
Diluted		318,467,810							318,467,810

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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, f	94,667,039	(9,647,087)	85,019,952
Other financial assets		2,716,857	-	2,716,857
Total assets		\$ 209,490,714	\$ (20,895,821)	\$ 188,594,893
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)
Shareholders' 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,b,h	(14,239,236)	2,036,544	(12,202,692)
Accumulated other comprehensive income (loss)	h	(7,893,204)	7,893,204	-
Retained earnings	b, f, g, h, i	(20,573,630)	7,563,524	(13,010,106)
Equity attributable to owners of the Company		(173,209,581)	15,776,744	(157,432,837)
Non-controlling interest	i	-	(5,625,296)	(5,625,296)
Total equity		(173,209,581)	10,151,448	(163,058,133)
TOTAL LIABILITIES AND EQUITY		\$ (209,490,714)	\$ 20,895,821	\$ (188,594,893)

AVION GOLD CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2011 and 2010
(Expressed in United States dollars unless otherwise noted)

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