



(formerly Avion Resources Corp.)

Annual Consolidated Financial Statements
For the thirteen months ended
December 31, 2009
and the twelve months ended
November 30, 2008



McGovern, Hurley, Cunningham, LLP
Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
Avion Gold Corporation (formerly Avion Resources Corp.)

We have audited the consolidated balance sheets of Avion Gold Corporation (formerly Avion Resources Corp.) as at December 31, 2009 and November 30, 2008 and the consolidated statements of operations and comprehensive income (loss), deficit and cash flows for the thirteen months ended December 31, 2009 and the twelve months ended November 30, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and November 30, 2008 and the results of its operations and its cash flows for the for the thirteen months ended December 31, 2009 and the twelve months ended November 30, 2008 in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

A handwritten signature in cursive script that reads 'McGovern, Hurley, Cunningham, LLP'.

**Chartered Accountants
Licensed Public Accountants**

TORONTO, Canada
April 1, 2010

AVION GOLD CORPORATION (formerly Avion Resources Corp.)

Consolidated Balance Sheets

(Stated in US Dollars - Note 3)

As at	December 31, 2009	November 30, 2008
ASSETS		
Current		
Cash and cash equivalents	\$ 20,541,856	\$ 2,818,272
Amounts receivable (Notes 6 and 20)	1,095,272	146,844
Fuel duty recoverable (Note 7)	2,974,000	2,960,000
Prepaid expenses (Notes 8 and 20)	4,800,913	766,173
Inventory (Note 9)	13,077,714	2,999,955
	42,489,755	9,691,244
Investments (Note 10)	3,089,537	112,885
Fuel duty recoverable (Note 7)	1,768,989	2,335,525
Deposits and advances	3,844,415	-
Properties, plant and equipment (Note 11)	36,562,898	20,541,325
	\$ 87,755,594	\$ 32,680,979
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 12 and 20)	\$ 9,281,282	\$ 2,356,357
Shareholder loan (Note 13)	549,889	462,254
Short term loans (Note 14)	-	6,645,479
	9,831,171	9,464,090
Asset retirement obligations (Note 15)	5,053,000	3,553,991
	14,884,171	13,018,081
SHAREHOLDERS' EQUITY		
Capital stock (Note 16)	71,236,109	29,517,331
Warrants (Note 17)	5,064,584	5,975,200
Contributed surplus (Note 19)	5,958,358	2,651,689
Deficit	(10,883,796)	(13,480,981)
Accumulated other comprehensive income/(loss) (Note 3)	1,496,168	(5,000,341)
	72,871,423	19,662,898
	\$ 87,755,594	\$ 32,680,979

Commitments and contingencies (Notes 2 and 23)

Subsequent events (Note 27)

APPROVED ON BEHALF OF THE BOARD:

"John Begeman", Director

"Stan Bharti", Director

AVION GOLD CORPORATION (formerly Avion Resources Corp.)

Consolidated Statements of Operations and Comprehensive Income/(Loss)

(Stated in US Dollars - Note 3)

	Thirteen months ended December 31, 2009	Twelve months ended November 30, 2008
OPERATING REVENUES		
Gold sales (Note 1)	\$ 33,647,850	\$ -
Silver sales (Note 1)	84,643	-
	<u>33,732,493</u>	<u>-</u>
OPERATING EXPENSES		
Mining and processing (Note 1)	21,295,256	-
Royalties (Note 1)	2,864,842	-
Amortization and depletion (Note 1)	3,344,403	-
Corporate and administrative	3,525,051	755,343
Stock-based compensation (Note 18)	1,227,261	1,247,449
	<u>32,256,813</u>	<u>2,002,792</u>
INCOME/(LOSS) FROM OPERATIONS	1,475,680	(2,002,792)
Interest income	6,517	73,587
Interest expense and accretion (Notes 13, 14 and 15)	(795,345)	(377,481)
Unrealized gain on investment (Note 10)	1,248,066	-
General exploration recovery/(expense)	(6,354)	(4,084)
Write off of mineral properties (Note 11)	-	(2,960,615)
Foreign exchange gain/(loss)	668,621	(1,013,300)
	<u>2,597,185</u>	<u>(6,284,685)</u>
NET INCOME/(LOSS) for the year	2,597,185	(6,284,685)
OTHER COMPREHENSIVE INCOME/(LOSS) for the year (Note 3)	6,474,716	(5,088,898)
NET INCOME/(LOSS) AND OTHER COMPREHENSIVE INCOME/(LOSS) for the year	\$ 9,071,901	\$ (11,373,583)
Net income/(loss) per share, basic	\$ 0.01	\$ (0.13)
Net income/(loss) per share, diluted	\$ 0.01	\$ (0.13)
Weighted average number of shares outstanding:		
basic	173,808,471	49,491,506
diluted	181,916,000	49,491,506

AVION GOLD CORPORATION (formerly Avion Resources Corp.)

Consolidated Statements of Deficit

(Stated in US Dollars - Note 3)

	Thirteen months ended December 31, 2009	Twelve months ended November 30, 2008
Deficit, beginning of year	\$ (13,480,981)	\$ (7,196,296)
NET INCOME/(LOSS) for the year	2,597,185	(6,284,685)
Deficit, end of year	\$ (10,883,796)	\$ (13,480,981)

AVION GOLD CORPORATION (formerly Avion Resources Corp.)

Consolidated Statements of Cash Flows

(Stated in US Dollars - Note 3)

	Thirteen months ended December 31, 2009	Twelve months ended November 30, 2008
Cash flows provided by (used in)		
Operating activities		
Net income/(loss) for the period	\$ 2,597,185	\$ (6,284,685)
Changes not affecting cash:		
Stock based compensation (Note 18)	1,227,261	1,247,449
Amortization and depletion	3,837,641	-
Accretion expense (Notes 14 and 15)	398,875	168,782
Write down of mineral properties (Note 11)	-	2,960,615
Foreign exchange	2,506,482	1,673,290
Unrealized gains on investments held	(1,248,066)	-
Net change in non-cash working capital items	(6,284,934)	249,103
	3,034,444	14,554
Financing activities		
Private placements and public offering	24,208,577	30,240,454
Cost of issue	(1,903,768)	(2,645,211)
Exercise of warrants and options	3,877,941	14,305
Change in subscriptions receivable	-	561,551
Acquisition of subsidiary, net of cash acquired	7,409,907	-
(Decrease)/increase in short term loans	(582,386)	5,765,314
	33,010,271	33,936,413
Investing activities		
Acquisition of subsidiary, net of cash acquired (Note 11)	-	(22,874,389)
Properties, plant and equipment	(20,648,305)	(10,255,419)
Preproduction revenues	7,255,512	975,416
Net change in working capital related to properties, plant and equipment	(4,461,595)	65,152
Acquisition of investment	(91,374)	-
	(17,945,762)	(32,089,240)
Effect of change of exchange rates on cash balances	(375,369)	-
Change in cash and cash equivalents	17,723,584	1,861,727
Cash and cash equivalents, beginning of year	2,818,272	956,545
Cash and cash equivalents, end of year	\$ 20,541,856	\$ 2,818,272
Cash and cash equivalents consist of:		
Cash	\$ 2,628,840	\$ 757,243
Cash equivalents	17,913,016	2,061,029
	\$ 20,541,856	\$ 2,818,272

AVION GOLD CORPORATION (formerly Avion Resources Corp.)

Consolidated Statements of Cash Flows

(Stated in US Dollars - Note 3)

	Thirteen months ended	Twelve months ended	
	December 31, 2009	November 30, 2008	
SUPPLEMENTARY INFORMATION:			
Common shares issued for acquisition of subsidiary (Note 5)	\$ 13,139,567	\$ -	
Value of warrants granted for acquisition of subsidiary (Note 5)	\$ 10,569	\$ -	
Value of options granted for acquisition of subsidiary (Note 5)	\$ 1,068,225	\$ -	
Common shares issued for acquisition of investment (Note 10)	\$ 1,379,342	\$ -	
Common shares issued for royalty buyout (Note 11)	\$ 967,920	\$ -	
Value of warrants issued for royalty buyout (Note 11)	\$ 139,196	\$ -	
Common shares issued for property acquisition	\$ -	\$ 100,240	
Warrants issued for property acquisition	\$ -	\$ 191,079	
Warrants issued and to be issued for loans	\$ -	\$ 99,467	
Compensation options classified as cost of issue	\$ -	\$ 580,418	
Amortization charged to mineral properties	\$ 61,574	\$ 2,058	
Interest paid	\$ 141,017	\$ 28,986	
Income taxes	\$ -	\$ -	

AVION GOLD CORPORATION (formerly Avion Resources Corp.)

Notes to the Audited Annual Consolidated Financial Statements

For the thirteen months ended December 31, 2009 and the twelve months ended November 30, 2008

(Stated in US dollars – Note 3)

1. NATURE OF OPERATIONS

Avion Gold Corporation, formerly Avion Resources Corp., ("Avion" or the "Company") declared commercial production on May 1, 2009. Prior to this date, the Company was a development stage entity, as defined by the Canadian Institute of Chartered Accountants (the "CICA") Accounting Guideline 11. The statement of operations includes operating revenues, mining and processing expenses, royalties, and amortization and depletion for the eight months of commercial production during 2009. Other expense categories reflect charges for the full thirteen month period ended December 31, 2009.

The Company has changed its year-end to December 31 from November 30 effective this financial year. As a result, the Company is reporting a thirteen month period ended December 31, 2009. The comparative period is for the twelve months ended November 30, 2008.

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. Mining assets located outside of Canada are subject to the risk of foreign investment including increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

2. CONTINUING OPERATIONS

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. Realization values may be substantially different from the carrying values as shown in the consolidated financial statements should the Company be unable to continue as a going concern.

Future operations are dependent upon the Company's ability to finance expenditure requirements and upon the achievement of profitable operations. There is no guarantee that the Company will achieve profitable operations or be able to obtain necessary financings. These consolidated financial statements continue to not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

3. CHANGE IN REPORTING CURRENCY

Effective September 30, 2009, the Company changed its reporting currency from Canadian dollars (CDN\$) to United States dollars (US\$ or \$), as the Company anticipates that the majority of its future income stream will be denominated in US\$. The Company has made this change in accordance with Canadian GAAP by following the recommendations of Emerging Issues Committee (EIC) of the Canadian Institute of Chartered Accountants (CICA) Abstract EIC-130 "Translation Method when the Reporting Currency Differs from the Measurement Currency or there is a Change in the Reporting Currency".

Following the recommendations of EIC-130, financial statements for all periods presented have been translated using the current rate method. Under this method, consolidated revenues, expenses, and cash flow statement items have been translated using weighted-average exchange rates for the applicable periods. Consolidated assets and liabilities have been translated using the exchange rates in effect on the balance sheet dates, while shareholders' equity has been translated using the exchange rates in effect on the date of each transaction. Resulting exchange differences are reported in a separate component of other comprehensive income. All comparative financial information has been translated and restated as if the US\$ had been used as the Company's reporting currency. As a result of the change in reporting currency, the Company has recorded accumulated other comprehensive income/(loss) on the balance sheet at December 31, 2009 of \$1,496,168 (2008 - \$(5,000,341)).

AVION GOLD CORPORATION (formerly Avion Resources Corp.)

Notes to the Audited Annual Consolidated Financial Statements

For the thirteen months ended December 31, 2009 and the twelve months ended November 30, 2008
(Stated in US dollars – Note 3)

3. CHANGE IN REPORTING CURRENCY (continued)

The Company's functional currency, which is Canadian dollars, remains unchanged.

The exchange rate between the US dollar and Canadian dollar and Mali FCFA for the years ended December 31, 2009 and November 30, 2008 were as follows:

	Thirteen months ended December 31, 2009		Twelve months ended November 30, 2008	
	Average	Closing	Average	Closing
US dollars per Canadian dollar	0.8848	0.9532	0.9181	0.8063
US dollars per Mali FCFA	0.0021	0.0021	0.0021	0.0019
Canadian dollars per Mali FCFA	0.0024	0.0022	0.0023	0.0024

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles ("GAAP") and their basis of application is consistent with that of the previous year, except as disclosed. Outlined below are those policies considered particularly significant.

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries, as listed below.

<u>Subsidiary:</u>	<u>Percent Ownership:</u>
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)	
Nevsun Mali Limited, Barbados	100%
Dynamite Resources Ltd.	100%

AVION GOLD CORPORATION (formerly Avion Resources Corp.)

Notes to the Audited Annual Consolidated Financial Statements

For the thirteen months ended December 31, 2009 and the twelve months ended November 30, 2008

(Stated in US dollars – Note 3)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized to mineral properties, plant and equipment or expensed, and estimates for asset retirement obligations and reclamation costs. Significant estimates used in the preparation of the consolidated financial statements include, but are not limited to, the recoverability of amounts receivable, fuel duty receivable and investments; the measurement of material in circuit and the recoverable gold in this material used in determining the estimated net realizable value of inventories; and the proven and probable ore reserves and resources, and the related depletion and amortization. Other significant estimates made by the Company include factors affecting valuations of stock-based compensation, warrants, and income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and short-term investments with original maturities of three months or less. Cash and cash equivalents are held with Canadian chartered banks or a financial institution controlled by a Canadian chartered bank.

d) Inventory

Inventory consists of finished goods (gold doré), in-process metals, stockpiled ore, and spare parts and supplies. Inventory is valued at the lower of average costs or net realizable value. The cost of finished goods, in-process metals and stock-piled ore include the costs of raw materials, direct labour, mine-site overhead expenses, and depreciation and depletion of mining interests. Net realizable value is calculated as the estimated price less estimated future production costs to convert the inventories into saleable form.

In-process inventory represents materials that are currently in the process of being converted into finished goods. The average cost of finished goods represents the average cost of in-process inventories incurred prior to the refining process, plus applicable refining costs.

As at December 31, 2009 and November 30, 2008, inventory is presented at cost.

e) Investments

Securities which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing market prices at the balance sheet date or the closing price on the last day the security traded if there were no trades at the balance sheet date. Securities in privately-held companies are recorded at cost unless an upward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated, professional investor at a transaction price higher than the Company's carrying value. Downward adjustments to carrying values are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition. The Company has classified its investments as held-for-trading.

AVION GOLD CORPORATION (formerly Avion Resources Corp.)

Notes to the Audited Annual Consolidated Financial Statements

For the thirteen months ended December 31, 2009 and the twelve months ended November 30, 2008

(Stated in US dollars – Note 3)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Interest in mining properties, plant and equipment

Mining properties, plant and equipment are carried at cost, net of pre-production revenues and recoveries, until they are brought into production, at which time they are generally depleted on a unit of production method based on measured and indicated resources. Costs include acquisition costs and exploration and development costs, net of any pre-production revenues and related costs. Certain vehicles and other equipment included in mining properties, plant and equipment have been amortized on a straight line basis over a three or five year period. Other general exploration expenses are charged to operations as incurred. If a mining property is abandoned, the accumulated acquisition and deferred costs relating to that mining property are written off to operations.

The Company reviews its mining properties, plant and equipment to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to maintain profitable production. An impairment loss is recognized when the carrying amount of the properties is not recoverable and exceeds its fair value. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near term could require a change in the determination of the need for and amount of any write down.

g) Deferred stripping costs

Certain mining costs, principally those that relate to the stripping of waste and which relate to the future economically recoverable ore to be mined, have been capitalised. These costs are deferred or taken to the production cost as the case may be, so that each tonne of ore mined bears the average cost of waste removal per tonne of ore, as determined by the waste to ore ratio derived from the current pit plan. The waste to ore ratio is regularly assessed by management to ensure the carrying value and the rate of deferral is appropriate. The Company has adopted the recommendations of the CICA with respect to stripping charges, EIC-160 Stripping Costs Incurred in the Production Phase of a Mining Operation ("EIC-160"). These recommendations require the costs associated with the removal of overburden and other mine waste materials that are incurred in the production phase of mining operations to be charged to income in the year in which they are incurred, except when the costs represent a betterment to the mineral property. Costs represent a betterment when the stripping activity provides access to reserves that would not have been accessible in the absence of the stripping activity. When costs are deferred in relation to betterment, the costs are amortized over the reserves accessed by the stripping activity using the unit of production method. As at December 31, 2009 the balance of deferred stripping costs of approximately \$3.0 million was included in properties, plant and equipment. In accordance with EIC-160, the carrying value of the deferred stripping costs will be amortized over the life of the related mining assets on a unit of production basis.

h) Asset retirement obligations

Asset retirement obligations include the costs related to the abandonment of properties, dismantling and removing tangible equipment such as milling facilities and returning the land to its original condition. The Company recognizes an asset retirement obligation ("ARO") in the period in which it is identified and a reasonable estimate of the fair value can be made. Fair value is estimated based on the present value of the estimated future cash outflows to abandon the asset, discounted at the Company's credit-adjusted risk-free interest rate. The fair value of the estimated ARO is recorded as a long-term liability with a corresponding amount capitalized to mineral properties, plant and equipment. The amount capitalized is charged to earnings through the depletion and depreciation of mineral properties, plant and equipment. The ARO liability is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings. Revisions to the original estimated cost or the timing of the cash outflows may result in a change to the ARO. Actual costs incurred to settle the ARO reduce the long-term liability.

AVION GOLD CORPORATION (formerly Avion Resources Corp.)

Notes to the Audited Annual Consolidated Financial Statements

For the thirteen months ended December 31, 2009 and the twelve months ended November 30, 2008

(Stated in US dollars – Note 3)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Revenue recognition

Revenue from the sale of metals is recognized in the accounts when persuasive evidence of an arrangement exists, title and risk passes to the buyer, collection is reasonably assured, and the price is reasonably determinable.

k) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted number of shares outstanding. Diluted earnings (loss) per share is calculated using the treasury stock method. In order to determine diluted earnings (loss) per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. Total shares issuable from warrants and options excluded from the computation of diluted earnings (loss) per share because they were anti-dilutive for the year ended December 31, 2009 were 29,800,000 (2008 – 42,611,107) and 17,826,000 (2008 – 10,076,000) respectively.

l) Stock-based compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

m) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the consolidated financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the enacted or substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

n) Financial instruments

Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in operations for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income (loss) until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income (loss) for the period, unless the instrument is a cash flow hedge and hedge accounting is applied, in which case changes in fair value are recognized in other comprehensive income (loss).

AVION GOLD CORPORATION (formerly Avion Resources Corp.)

Notes to the Audited Annual Consolidated Financial Statements

For the thirteen months ended December 31, 2009 and the twelve months ended November 30, 2008

(Stated in US dollars – Note 3)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Comprehensive income (loss)

Comprehensive income/(loss), composed of net income/(loss) and other comprehensive income/(loss), is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income/(loss) ("OCI") includes unrealized gains and losses on available-for-sale securities and changes in foreign exchange when using the current rate method of translation, all net of related income taxes. The components of comprehensive income/(loss) are disclosed in the statement of operations and comprehensive income/(loss). Cumulative changes in other comprehensive income/(loss) are included in accumulated other comprehensive income/(loss) ("AOCI") which is presented as a new category in shareholders' equity. The Company's OCI balance relates to foreign exchange fluctuations as a result of using the current method to translate the financial statements from the functional currency (CAD\$) to the reporting currency (USD\$).

p) New accounting policies

Foreign currency translation

The Company's functional currency, which is Canadian dollars, remains unchanged. The Company's foreign subsidiaries are considered to be integrated foreign operations. Accordingly, transactions and account balances originally stated in currencies other than the Canadian dollar are translated using the temporal method whereby monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates; and revenue and expenses are translated at the exchange rate in effect on the dates that they occur, using average rates for the period.

Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets," which replaces Section 3062, "Goodwill and Other Intangible Assets." This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets and is effective for the Company commencing January 1, 2009. The adoption of this standard had no impact on these financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company is continually evaluating its counterparties and their credit risks. The adoption of this standard had no impact on these financial statements.

Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee ("EIC") issued EIC-174. In this EIC the Committee reached a consensus that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The EIC should be applied to financial statements issued after March 27, 2009. The Company has adopted EIC-174. The adoption of this standard had no impact on these financial statements.

AVION GOLD CORPORATION (formerly Avion Resources Corp.)

Notes to the Audited Annual Consolidated Financial Statements

For the thirteen months ended December 31, 2009 and the twelve months ended November 30, 2008

(Stated in US dollars – Note 3)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 - Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value in Canadian GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The adoption of the new standard resulted in additional disclosures in the notes to the consolidated financial statements.

q) Future accounting changes:

International Financial Reporting Standards ("IFRS")

In January 2006, the Canadian Accounting Standards Board ("AcSB") announced its decision to replace Canadian GAAP with IFRS. On February 13, 2008 the AcSB confirmed January 1, 2011 as the mandatory changeover date to IFRS for all Canadian publicly accountable enterprises. This means that the Company will be required to prepare IFRS financial statements for the interim periods and fiscal year ends beginning in 2011. The Company is creating an implementation team, which will consist of internal resources and external consultants. A changeover plan is being established to convert to the new standards within the allotted timeline.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards. Sections 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company has not yet determined the impact these new standards will have on its financial statements, if any.

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Notes to the Audited Annual Consolidated Financial Statements

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5. ACQUISITION OF SUBSIDIARY

In May 2009, the Company completed the acquisition of Dynamite Resources Inc. (“Dynamite”) by way of a plan of arrangement. The Company acquired all of the issued and outstanding common shares of Dynamite at an exchange ratio of 0.75 common shares of the Company for each common share of Dynamite. As a result, the Company issued 85,151,250 common shares to the former shareholders of Dynamite. Any Dynamite warrants and options outstanding at the date of the acquisition were converted to warrants and options of the Company at the same ratio. Consequently, 75,226,250 warrants were issued on conversion at exercise prices ranging from CDN\$0.57 to CDN\$1.33 (\$0.52 and \$1.22) with expiry dates ranging from June 14, 2009 to August 17, 2009. These warrants have expired at December 31, 2009. Also, 6,506,250 options were issued on conversion at exercise prices ranging from CDN\$0.33 to CDN\$1.07 (\$0.30 and \$0.99) and expiry dates ranging from October 1, 2009 to February 5, 2013.

The acquisition was valued based on the estimated fair values of the net assets acquired. The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

Cash	\$	7,771,734
Accounts receivable		66,674
Prepaid expenses		38,574
Notes receivable		7,359,608
Accounts payable		(656,402)
	\$	<u>14,580,188</u>

The following table summarizes the allocation of the total cost of the acquisition of Dynamite:

Issuance of common shares	\$	13,139,567
Issuance of converted warrants		10,569
Issuance of converted options		1,068,225
Acquisition costs		361,827
	\$	<u>14,580,188</u>

The allocation of the total cost of the acquisition of Dynamite was based on the quoted market value of the Company’s shares and the estimated fair value of the warrants and options, based on the Black-Scholes valuation model, at the date of acquisition.

Dynamite and the Company had a common director and officer.

6. AMOUNTS RECEIVABLE

	December 31, 2009	November 30, 2008
Reimbursable expenditures	\$ 169,020	\$ 98,069
Refundable taxes	852,961	8,909
Other	73,291	39,866
	<u>\$ 1,095,272</u>	<u>\$ 146,844</u>

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7. FUEL DUTY RECOVERABLE

The fuel duty recoverable is recoverable from the Government of Mali. It is currently being recovered by way of offset against royalties and any 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 December 31, 2009 is 2,213,932,616 CFA (\$4,742,989). Of this amount, \$2,974,000 is classified as current.

	December 31, 2009	November 30, 2008
Balance, beginning of year	\$ 5,295,525	\$ 6,935,264
Additions	383,978	58,291
Recoveries	(1,623,635)	(234,308)
Foreign exchange	687,121	(1,463,722)
Balance, end of year	\$ 4,742,989	\$ 5,295,525

8. PREPAID EXPENSES

	December 31, 2009	November 30, 2008
Mining supplier advances	\$ 4,054,750	\$ 658,692
Administrative advances (Note 20)	106,076	-
Prepaid insurance	39,409	14,932
Tax advances	195,902	-
Other advances	404,776	92,549
	\$ 4,800,913	\$ 766,173

9. INVENTORY

	December 31, 2009	November 30, 2008
Spare parts and supplies	\$ 7,093,315	\$ 2,999,955
Gold doré	4,933,701	-
In-process precious metals	173,480	-
Stockpiled ore	877,218	-
	\$ 13,077,714	\$ 2,999,955

During the thirteen months ended December 31, 2009, the Company recognized \$21,295,256 (2008: \$nil) of inventories as an expense. There were no inventory write-downs during the periods.

All inventory is carried at the lower of cost and estimated net realizable value. As at December 31, 2009 and November 30, 2008, all inventory is recorded at cost.

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10. INVESTMENTS

Investments, carried at estimated fair market value, are comprised of the following:

	Classification	December 31, 2009		November 30, 2008	
		No. held	Value	No. held	Value
Long term					
Midlands Minerals Corporation	Held-for-trading	9,098,500	\$ 2,956,090	-	\$ -
Yellow head Mining Inc	Held-for-trading	100,000	\$ 133,446	100,000	\$ 112,884
Global Immune Technologies Inc.	Held-for-trading	2,000,000	\$ 1	2,000,000	\$ 1
			\$ 3,089,537		\$ 112,885

During the thirteen months ended December 31, 2009, the Company acquired a total of 9,098,500 common shares of Midlands Minerals Corporation (“Midlands”). Of these shares acquired, 8,581,000 were acquired through the issuance of 4,290,500 common shares of the Company. The quoted fair market value of these shares at the time of acquisition was CDN\$1,587,000 (\$1,379,342). As well, the Company purchased an additional 517,500 common shares of Midlands for a price of CDN\$0.19 (\$0.16) per share. At December 31, 2009, the quoted market value of these shares was CDN\$0.34 (\$0.32) per share, and consequently an unrealized gain of \$1,248,066 was recorded to the statement of operations.

The Company received 100,000 common shares of Yellowhead Mining Inc. (“Yellowhead”) with a value of CDN\$1.40 (\$1.33) per share as part proceeds from the sale of its 100% interest in the Harper Creek claims. If after Yellowhead has become listed on a stock market, and the fair market value of the shares held by the Company are below CDN\$140,000 (\$133,446), then Yellowhead will pay to the Company the difference in cash. Consequently, the fair value of this investment is estimated to be \$133,446 as at December 31, 2009. Yellowhead has not yet become listed on a stock market.

The Company owns 2,000,000 restricted common shares of Global Immune Technologies Inc. (formerly Secureview Systems Inc.). The Company wrote down the investment to a value of \$1. Management estimates that the fair market value of this investment approximates its carrying value.

11. PROPERTIES, PLANT AND EQUIPMENT

	December 31, 2009			
	Cost	Accumulated Amortization	Accumulated Depletion	Net
Mining property, plant and equipment	\$ 40,898,194	\$(632,315)	\$ (3,769,707)	\$ 36,496,172
Administrative property, plant and equipment	\$ 80,791	\$ (14,065)	\$ -	\$ 66,726
	\$ 40,978,985	\$(646,380)	\$ (3,769,707)	\$ 36,562,898
	November 30, 2008			
	Cost	Accumulated Amortization	Accumulated Depletion	Net
Mining property, plant and equipment	\$ 20,516,032	\$ -	\$ -	\$ 20,516,032
Administrative property, plant and equipment	\$ 27,100	\$ (1,807)	\$ -	\$ 25,293
	\$ 20,543,132	\$ (1,807)	\$ -	\$ 20,541,325

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11. PROPERTIES, PLANT AND EQUIPMENT (continued)

In November 2009, the Company paid cash of \$1,000,000 and issued 3,500,000 common shares (valued at \$967,920) and 1,000,000 warrants (valued at \$139,196) to cancel a 2% royalty on the Mali Projects. The warrants are exercisable into common shares of the Company at an exercise price of CDN\$0.60 until November 2, 2011. The value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 127%; risk-free interest rate – 1.4%; expected life – 2 years. These amounts have been deferred to Mining property, plant and equipment and are being amortized on a unit of production basis.

In October 2009, the Company entered into an agreement to acquire 75% of Great Quest Metals Ltd.'s ("Great Quest") interest in three mining concessions. The Company was required to make cash payments of CDN\$2,360,000 and complete work commitments of CDN\$ 1,890,000 both over five years. On signing of the Option Agreement, the Company made a cash payment of CDN\$350,000 (\$333,619) and is required to complete at least CDN\$150,000 of exploration expenditures in year 1. Great Quest's interest in the properties varies from 95% to 100% subject to a carried interest to the Government of Mali ranging between 10% and 20%. Subsequent to December 31, 2009, the Company entered into another agreement to acquire 100% of Great Quest's interest in these mining concessions. See Subsequent Events (Note 27).

In May 2008, the Company closed a share purchase agreement for the acquisition of an 80% interest in the Mali Projects, comprising the Tabakoto and Segala projects. The remaining 20% interest is owned by the Government of Mali. A portion of the mining licensed area, outside of the Company's current mine plan, is subject to annual payments of \$75,000, a 5% net profits interest and a 1% net smelter royalty. As consideration, the Company paid \$20,000,000 for the purchase. The vendor also retained a 1% net smelter return royalty ("NSR"). The Company has the option to buy out the NSR for 2,000,000 expiring five years from the date of closing.

Avion also paid a \$1,000,000 finder's fee to an arm's length third party and granted this corporation a 2% NSR on the Mali Projects, which was cancelled as described above.

The Company paid a \$1,000,000 advisory fee to a corporation controlled by a director of the Company.

The following table summarizes the total cost of the acquisition of the Mali Projects:

Cost of acquisition	
Cash paid	\$ 20,000,000
Advisory and finders fees	2,505,690
Filing and regulatory fees	1,092
Legal, audit and transfer agent fees	218,042
Consulting fees and expenses	201,237
	<hr/>
	\$ 22,926,061

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. The Company is in the process of obtaining third-party valuations of certain assets, thus the allocation of the purchase price is subject to adjustment.

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11. PROPERTIES, PLANT AND EQUIPMENT (continued)

Assets acquired at May 20, 2008	
Cash	\$ 50,723
Amounts receivable	82,071
Prepaid expenses	639,111
Inventory	3,866,590
Long term receivable	6,935,264
Mine and exploration assets	18,172,169
Accounts payable	(1,957,413)
Government loan	(573,890)
Asset retirement obligations	(4,288,564)
	<u>\$ 22,926,061</u>

The Government of Mali owns the remaining 20% interest in the Tabakoto and Segala projects. 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.

During 2008, the Company wrote off various exploration projects including the Dundonald project and Ethiopian projects, generating a charge of \$2,960,615 to the statement of operations.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2009	November 30, 2008
Mining and milling suppliers and contractors	\$ 6,133,948	\$ 1,351,212
Payroll liabilities	999,921	75,938
Corporate payables	1,341,813	122,892
Royalties payable	149,888	-
Property commitment	-	806,315
Other provisions (Note 23)	655,712	-
	<u>\$ 9,281,282</u>	<u>\$ 2,356,357</u>

13. SHAREHOLDER LOAN

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 December 31, 2009 is 256,677,081 FCFA (\$549,889) (2008: 243,768,195 FCFA (\$462,254)), 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 2009, interest expense related to this loan totalled \$27,100 (2008: \$12,696).

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14. SHORT TERM LOANS

(a) The Company borrowed \$1,000,000 from Aberdeen International Inc. (“Aberdeen”), a related party, in 2008 to post a break fee associated with the acquisition of the Mali Projects. This loan originally matured on September 30, 2008, incurring a 10% per annum interest rate, and was secured against the assets of the Company. The Company renewed this debenture on September 30, 2008 with a new maturity date of September 30, 2009. Interest of 10% was compounded monthly and payable semi-annually. The principal was to increase 30% for each \$100 incremental increase in the price of gold above \$900, based on the twelve month average of closing prices of the London PM fixings. As compensation for the renewal, the Company agreed to issue to Aberdeen 2,000,000 warrants, each exercisable into one common share of the Company at a price of CDN\$0.20 expiring one year from the date of issue. These warrants were issued during 2009, however their estimated fair value of \$77,634 was accrued during 2008. The value of the warrants was recorded against the debenture to be accreted over the term of the debenture. As well, the Company made a cash payment to Aberdeen of \$25,000 during March 2009 in connection with the extension of this debenture. This debenture was settled in May 2009, and accrued interest was paid in full. During 2009, interest expense related to this loan totalled \$49,242 (2008: \$67,391).

The Company also entered into a debenture agreement during 2008 with Aberdeen for CDN\$750,000 (\$634,153) related to an amount due in connection to a property agreement. This debenture agreement was to mature on September 30, 2009, and carried a 10% per annum interest rate. This debenture plus accrued interest was paid in full in May 2009. During 2009, interest expense related to this loan totalled \$23,298 (2008: \$29,353).

A payment that was due to Aberdeen on December 31, 2008 related to a property agreement was settled in May 2009 with a payment of CDN\$800,000 (\$676,430) plus accrued interest. Total interest expense related to this liability was \$24,964 for the year ended December 31, 2009 (2008: \$nil).

The Company and Aberdeen share common directors.

(b) In October 2008, the Company entered into an agreement to sell 50% of its 80% interest in the Segala project to Dynamite. In consideration, Dynamite paid \$5,000,000, which, until closing of the transaction, was provided to Avion as a short-term loan. This short-term loan was eliminated when the Company acquired all of the outstanding common shares of Dynamite in May 2009 (Note 5).

15. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations were acquired through the purchase of the Mali projects, and include costs accrued based on the current best estimate of mine reclamation and closure activities that will be required upon completion of mining activities. These activities include costs for earthworks, including land recontouring and revegetation, water treatment and demolition. The Company's provision for future site closure and reclamation costs is based on known legal requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments. The asset retirement obligation calculation used a credit adjusted risk-free discount rate applicable to Mali of 9% and an inflation factor of 3.0%. Although the ultimate amount to be incurred is uncertain, based on development, legal requirements and estimated costs as at December 31, 2009, the total undiscounted liability for asset retirement obligations is estimated to be approximately \$5,800,000. The cash expenditures are expected to occur over a period of time commencing in 2013.

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15. ASSET RETIREMENT OBLIGATIONS (continued)

	December 31, 2009	November 30, 2008
Balance, beginning of year	\$ 3,553,991	\$ -
Acquisition of Mali projects, and asset retirement obligations attributed to this project	-	3,437,877
Additions to liability	1,114,000	-
Accretion expense	325,000	116,113
Foreign exchange	60,009	-
Balance, end of year	\$ 5,053,000	\$ 3,553,991

16. CAPITAL STOCK

- a) Authorized - unlimited number of common shares
- b) Issued

Common shares	Number of Shares	Amount
Balance, November 30, 2007	14,164,558	\$ 7,343,714
Private placement (iv)	1,111,111	297,947
Private placement (iii)	60,100,000	29,942,506
Issue of warrants - warrant valuation	-	(4,959,506)
Exercise of warrants	50,000	14,305
Exercise of warrants -- value allocation	-	3,754
Shares issued for property acquisition	339,285	100,240
Cost of issue	-	(3,225,629)
Adjustment	55	-
Balance, November 30, 2008	75,765,009	\$ 29,517,331
Private placement (ii)	37,500,000	2,528,871
Public offering (i)	57,500,000	21,679,706
Issue of warrants - warrant valuation	-	(472,899)
Exercise of warrants	19,571,358	3,662,830
Exercise of warrants -- value allocation	-	977,249
Exercise of stock options and broker options	2,430,000	215,111
Exercise of stock options and broker options -- value allocation	-	136,292
Shares issued for acquisition of subsidiary (Note 5)	85,151,250	13,139,567
Shares issued for acquisition of investment (Note 10)	4,290,500	1,379,342
Shares issued to buy out royalty	3,500,000	967,920
Cost of issue	-	(2,495,211)
Balance, December 31, 2009	285,708,117	\$ 71,236,109

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16. CAPITAL STOCK (continued)

i) In December 2009, the Company completed a public offering issuing 57,500,000 common shares priced at CDN\$0.40 (\$0.377) per share for gross proceeds of \$21,679,706. Cash financing costs related to this offering amounted to \$1,736,277, which included a 6% commission to the underwriters of the financing. As well, the Company granted 3,450,000 broker options to the underwriters which are exercisable into the same number of common shares at an exercise price of CDN\$0.40 per share until December 10, 2010. The fair value of these broker options was estimated at \$504,054 using the Black Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 90%; risk-free interest rate – 1.2%; expected life – 1 year. This value was recorded as a cost of issue.

ii) In January 2009, the Company completed a private placement financing of 37,500,000 units priced at CDN\$0.08 (\$0.067) per unit for gross proceeds of \$2,528,871. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole purchase warrant is exercisable at a price of CDN\$0.10 per share until July 12, 2010. The fair value of these warrants was estimated at \$472,899 using the Black Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 138%; risk-free interest rate – 1.0%; expected life – 18 months. Cash financing costs related to this private placement amounted to \$167,491. As well, the Company granted 2,235,000 broker options to Delano Capital Corp. (Note 20) which are exercisable into the same number of common shares at an exercise price of CDN\$0.08 per share until January 12, 2010. The fair value of these broker options was estimated at \$87,390 using the Black Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 160%; risk-free interest rate – 1.0%; expected life – 1 year. This value was recorded as a cost of issue.

iii) In May 2008, the Company completed a private placement whereby a syndicate of underwriters purchased 60,100,000 Subscription Receipts at a price of CDN\$0.50 per Subscription Receipt for aggregate gross proceeds of \$29,942,506 in connection with the Company's planned acquisition of the Mali Projects. Each Subscription Receipt entitled the holder to acquire, for no additional consideration, one unit of the Company which consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of CDN\$0.65 per share for a period of 24 months after the Closing Date. The value of these warrants of \$4,870,204 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 93%; risk-free interest rate – 2.8%; expected life – 2 years. The Company agreed to use its best efforts to extend the term of the warrants for an additional 12 months by i) graduating to "Tier 1" status on the TSX Venture Exchange, and ii) obtaining all necessary approvals to do so. During 2009, the term of the warrants was extended by 12 months to May 8, 2011. Each Subscription Receipt automatically converted to common shares and warrants on July 21, 2008.

A commission of 6%, or \$1,796,550, was charged by the underwriters related to this private placement. The underwriters were also granted 3,606,000 compensation options whereby one option is exercisable into one common share of the Company at a price of CDN\$0.65 until an expiry date of May 8, 2010. The value of these compensation options was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 93%; risk-free interest rate – 2.8%; expected life – 2 years. A value of \$580,418 was recorded against contributed surplus. As well, the Company incurred an additional \$832,418 in share issue costs.

iv) In December 2007, the Company completed a private placement financing of 1,111,111 units priced at \$0.27 per unit for gross proceeds of \$297,947. Each unit is comprised of one common share and one common share purchase warrant. Each purchase warrant is exercisable at a price of CDN\$0.36 per share until December 19, 2009. The fair value of these warrants was estimated at \$89,303 using the Black Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 128%; risk-free interest rate – 3.8%; expected life – 2 years. Financing costs related to this private placement amounted to \$16,242.

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17. WARRANTS

	December 31, 2009			November 30, 2008		
	Number of warrants	Weighted average exercise price (CDN\$)	Value	Number of warrants	Weighted average exercise price (CDN\$)	Value
Balance, beginning of year	42,611,107	\$ 0.55	\$ 5,975,200	10,512,571	\$ 0.30	\$ 750,735
Granted	21,750,000	0.13	612,095	32,911,111	0.63	5,250,052
Acquisition warrants (Note 5)	75,226,250	1.19	10,569	-	-	-
Exercised	(19,571,358)	0.20	(977,249)	(50,000)	0.29	(3,754)
Expired	(79,995,599)	1.15	(556,031)	(762,575)	0.51	(21,833)
Balance, end of year	40,020,400	\$ 0.51	\$ 5,064,584	42,611,107	\$ 0.55	\$ 5,975,200

A summary of the outstanding warrants as at December 31, 2009 are as follows:

Expiry Date	Exercise Price (CDN\$)	Warrants Outstanding	Estimated Grant Date Fair Value (\$)
July 12, 2010	0.10	10,220,400	257,772
May 8, 2011	0.65	28,800,000	4,667,616
November 2, 2011	0.60	1,000,000	139,196
		40,020,400	5,064,584

18. STOCK COMPENSATION

a) Stock option plan

	December 31, 2009		November 30, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	10,076,000	\$ 0.51	-	\$ -
Granted	4,650,000	0.28	6,570,000	0.43
Granted, broker options (Note 16(b)(i and ii))	5,685,000	0.27	3,606,000	0.65
Acquired options (Note 5)	6,506,250	0.89	-	-
Exercised	(2,430,000)	0.09	-	-
Expired	(760,000)	0.65	(100,000)	0.50
Balance, end of year	23,727,250	\$ 0.55	10,076,000	\$ 0.51

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18. STOCK COMPENSATION (continued)

The Company has adopted an incentive stock option plan (the “Plan”). The number of common shares which may be issued pursuant to the Plan is a maximum of 10% of the issued and outstanding common shares at the time of grant.

Options will be exercisable over periods of up to five years as determined by the Board of Directors of the Company and are required to have an exercise price no less than the closing market price of the Company shares prevailing on the date of grant. The Plan contains vesting requirements for optionees engaged in investor relations activities whereby such options must vest in stages over twelve months with no more than one quarter of the options vesting in any three-month period. The Plan contains no other vesting requirements but permits the Board of Directors to specify a vesting schedule at its discretion. Options issued pursuant to the Plan have an exercise price that is not less than the quoted market price of the common shares of the Company at the time of grant.

A summary of the outstanding options as at December 31, 2009 are as follows:

Expiry Date	Exercise Price (CDN\$)	Options Outstanding	Options Exercisable	Vested Portion of Estimated Grant Date Fair Value (\$)
May 8, 2010	0.65	3,606,000	3,606,000	580,418
December 10, 2010	0.40	3,450,000	3,450,000	504,053
July 12, 2011	0.39	517,500	517,500	94,075
March 9, 2012	0.33	56,250	56,250	11,034
March 15, 2012	0.41	75,000	75,000	13,888
March 22, 2012	0.73	945,000	945,000	161,275
April 9, 2012	1.01	75,000	75,000	10,717
June 20, 2012	0.92	187,500	187,500	33,768
October 3, 2012	1.07	3,675,000	3,675,000	671,477
November 13, 2012	0.57	75,000	75,000	15,346
January 10, 2013	0.50	1,350,000	1,350,000	469,261
February 5, 2013	0.38	150,000	150,000	32,849
May 27, 2013	0.51	2,850,000	2,600,000	1,136,994
May 27, 2013	0.65	200,000	175,000	71,393
June 6, 2013	0.51	310,000	271,250	113,604
June 27, 2013	0.51	100,000	87,500	38,809
July 30, 2013	0.40	10,000	10,000	3,146
September 19, 2013	0.20	1,550,000	1,550,000	233,001
February 10, 2014	0.20	750,000	375,000	96,151
April 6, 2014	0.29	3,505,000	3,505,000	759,838
May 4, 2014	0.33	100,000	100,000	24,687
July 31, 2014	0.32	190,000	190,000	45,392
		23,727,250	23,026,000	5,121,176

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18. STOCK COMPENSATION (continued)

The Company granted 4,650,000 (November 30, 2008: 6,570,000) stock options to directors, officers and consultants of the Company during the thirteen months ended December 31, 2009. Of these options granted, 750,000 (2008: 2,710,000) options vest 1/8th every quarter over a two year period, while the remainder vest immediately. An amount of \$1,227,261 was recorded in stock based compensation expense for the thirteen months ended December 31, 2009 related to these and other options that vested over the period (November 30, 2008: \$1,247,449). The weighted average grant date fair value of the options granted during 2009 was \$0.21 (November 30, 2008: \$0.33) As well, as part of the acquisition of Dynamite (Note 5), the Company converted outstanding Dynamite options into 6,506,250 stock options of the Company with exercise prices ranging from CDN\$0.33 to CDN\$1.07 expiring between October 1, 2009 and February 5, 2013. An amount of \$1,068,225 was recorded as part of the acquisition equation with respect to these options.

The estimated fair value of stock options issued during the period was estimated using the Black-Scholes option pricing model under the following weighted average assumptions:

	December 31, 2009	November 30, 2008
expected dividend yield	0%	0%
expected volatility	127.06%	111.38%
risk-free interest rate	2.52%	3.56%
expected life	5 months or 5 years	5 years

b) Share compensation plan

During the period ended September 30, 2009, the Company established a share compensation plan, such that, should the Company list its common shares on the Toronto Stock Exchange (“TSX”), subject to acceptance of such application by the TSX, up to 2,500,000 common shares of the Company can be issued to directors, officers and employees of the Company. This share compensation plan will be in addition to the Company’s existing stock option plan. Common shares cannot be issued under the plan if the total number of common shares issued under the share compensation plan since its inception, together with the number of options outstanding under the stock option plan at the time of the proposed share issue will represent more than 10% of the issued and outstanding shares of the Company at that time. The number of common shares to be issued to any one director, officer or employee shall not exceed 500,000 common shares. The share compensation plan was approved at the Company’s Annual General Meeting. No shares have been granted pursuant to the share compensation plan as at December 31, 2009.

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19. CONTRIBUTED SURPLUS

	December 31, 2009	November 30, 2008
Balance, beginning of year	\$ 2,651,689	\$ 764,877
Stock options granted and/or vested during the year		
Directors, officers and employees	956,411	1,179,030
Consultants	270,850	105,531
Value of options granted for acquisition of subsidiary	1,068,225	-
Value of compensation options granted during the year	591,444	580,418
Allocation of value of options exercised	(136,292)	
Value of expired warrants	556,031	21,833
Balance, end of year	\$ 5,958,358	\$ 2,651,689

20. RELATED PARTY TRANSACTIONS

The Company was charged \$57,515 during the thirteen months ended December 31, 2009 (November 30, 2008: \$27,544) for administrative fees charged by a corporation controlled by a director of the Company.

The Company shares its premises with other companies that have common directors and officers, and the Company reimburses the related companies for its proportionate share of the expenses. Included in accounts payable and accrued liabilities at December 31, 2009 is \$nil (November 30, 2008: \$17,923) owing to such companies. The Company has advanced \$44,677 at December 31, 2009 to cover these expenses (November 30, 2008: \$nil), and this amount is recorded in prepaid expense. As well, the Company is owed \$46,554 (November 30, 2008: \$nil) in reimbursable payments, and this amount is recorded in amounts receivable. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

The Company and Aberdeen share common directors. The Company entered into an agreement to purchase properties in Ethiopia from Aberdeen in 2007, as well as a debenture agreement with Aberdeen. See also Note 14.

The Company and Dynamite shared a common director and a common officer. The Company acquired all of the issued and outstanding shares of Dynamite during the second quarter of 2009. See Note 5. Of the existing Dynamite stock options outstanding at the time of acquisition, 2,662,600 Dynamite options were converted to options of the Company at a ratio of 1 Dynamite option for 0.75 options of the Company for the common director and officer. Also 487,500 options were converted belonging to former Dynamite directors who have now been appointed to the Board of Directors of the Company.

An officer of the Company is also an officer of Delano Capital Corp., a corporation who received a commission related to a private placement financing. (Note 16).

During 2008, the Company paid CDN\$1,000,000 (\$1,005,834) to a company controlled by a director of the Company as a bonus for services provided to the Company.

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21. 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 regional 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 2009 and 2008.

22. FINANCIAL RISK FACTORS

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 2009 and 2008.

Credit risk

The Company's credit risk is primarily attributable to 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 Goods and Services Tax due from the Government of Canada, Value Added Tax from foreign governments, employee advances and reimbursable costs, and gold sales receivables. Fuel duty receivable is due from the Government of Mali, recoverable 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 December 31, 2009, the Company had a cash and cash equivalents balance of \$20,541,856 (November 30, 2008 - \$2,818,272) to settle current liabilities of \$9,831,171 (November 30, 2008 - \$9,464,090). Approximately \$8,700,000 of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

The Company has cash and cash equivalent balances at December 31, 2009. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

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22. FINANCIAL RISK FACTORS (continued)

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar, and its reporting currency is the United States dollar. The Company funds certain operational expenses in Africa using the CFA Francs ("FCFA") and the Euro currencies. The Company's Malian subsidiaries operate in FCFA which is fixed with the Euro. Gold sales are paid in United States dollars. Management does not hedge its foreign exchange risk.

(c) Price risk

The Company is exposed to price risk with respect to gold and silver prices. 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.

Financial instruments and fair values

The Company has designated its cash and cash equivalents as held-for-trading, measured at fair value. Amounts receivable and the fuel duty recoverable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, shareholder loan, and short term loans are classified as other financial liabilities, which are measured at amortized cost. The Company's investment in Midlands Minerals Corporation is classified as held-for-trading and measured at fair value. The Company's other investments are measured at estimated fair value as the investments do not have quoted market prices in an active market.

Fair value hierarchy and liquidity risk disclosure

The following table illustrates the classification of the Company's financial instruments within the fair-value hierarchy as at December 31, 2009:

	Level 1	Level 2	Level 3
Cash and equivalents:			
Cash	\$ 2,628,840	\$ -	\$ -
Equivalents	\$ 17,913,016	\$ -	\$ -
Investments	\$ 2,956,090	\$ -	\$ 133,447

The investments classified as Level 3 increased by \$20,562 during 2009 as a result of fluctuations in the Canadian-US foreign exchange rate.

As at December 31, 2009, the carrying and fair value amounts of the Company's financial instruments are approximately the same, and there were no changes that occurred that attributed to credit risk.

Sensitivity analysis

Foreign exchange risk

A 10% change in the Canadian Dollar December 31, 2009 exchange rate on financial assets and liabilities for 2009 compared to the US Dollar, with all other variables held constant, would impact the Company's net earnings by \$625,000. Comprehensive earnings would be impacted by \$6,600,000.

A 10% change in the Canadian Dollar December 31, 2009 exchange rate on financial assets and liabilities for 2009 compared to the FCFA, with all other variables held constant, would impact the Company's net earnings by \$139,000. Comprehensive earnings would be impacted by \$11,000.

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22. FINANCIAL RISK FACTORS (continued)

Price risk

A 10% change in the average gold price for the 2009 year with all other variables constant would have resulted in an impact to earnings of approximately \$3,500,000.

23. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$3.3 million 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 \$817,000.

The Company has contracted to purchase fuel as required, however if the contract was terminated, the Company would be obligated to pay the approximately \$800,000 at December 31, 2009.

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.

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company cannot reasonably predict the likelihood or outcome of these actions. The Company does not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the financial condition or future results of operations. As at December 31, 2009, accounts payable and accrued liabilities include provisions related to such matters totaling \$655,712.

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24. INCOME TAXES

a) Provision for income taxes

The major items causing the Company's income tax expense to differ from the Canadian combined federal and provincial statutory rate of 33.0% (2008 – 33.5%) were:

	2009 \$	2008 \$
Income (loss) before income taxes	2,597,185	(6,294,685)
Expected income tax (recovery) at statutory rates	857,000	(2,105,000)
Adjustments resulting from:		
Share issue costs	(595,000)	(809,000)
Expiring non-capital losses	47,000	84,000
Changes in tax rates	2,341,000	323,000
Differences in tax rates	(2,955,000)	-
Foreign exchange translation	(3,377,000)	-
Stock-based compensation	405,000	420,000
Purchase of subsidiaries	(8,590,000)	(15,298,000)
Other	2,338,000	36,000
Change in valuation allowance	9,529,000	17,349,000
Future income taxes	-	-

b) Future income tax balances

The tax effect of temporary differences that give rise to future income tax assets and liabilities in Canada at December 31, 2009 and 2008 are as follows:

	2009 \$	2008 \$
Future income tax assets (liabilities)		
Non-capital loss carryforwards	4,739,000	3,960,000
Capital loss carryforwards	4,024,000	81,000
Mineral properties, plant and equipment	14,777,000	11,362,000
Finance costs	1,157,000	529,000
Other	764,000	-
Valuation allowance	(25,461,000)	(15,932,000)
	-	-

c) The Company has approximately \$9,846,000 of non-capital losses in Canada as at December 31, 2009 which under certain circumstances can be used to reduce the taxable income of future years. The non-capital losses expire as follows:

<u>Expiry Date</u>	<u>Amount (\$)</u>
2013	171,000
2014	196,000
2015	142,000
2026	164,000
2027	886,000
2028	1,763,000
2029	6,524,000
	<u>9,846,000</u>

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25. SEGMENTED INFORMATION

	Current Assets	Property, Plant and Equipment	Other Long Term Assets	TOTAL ASSETS
<u>December 31, 2009</u>				
Canada	20,129,837	-	3,089,537	23,219,374
Mali	22,359,918	36,562,898	5,613,404	64,536,220
	42,489,755	36,562,898	8,702,941	87,755,594
<u>November 30, 2008</u>				
Canada	2,270,796	-	112,885	2,383,681
Mali	7,420,449	20,541,325	2,335,525	30,297,300
	9,691,245	20,541,325	2,448,410	32,680,981

26. LINE OF CREDIT

The Company entered into a banking arrangement whereby 1,524,000,000 FCFA (US\$3,316,000) were made available as a line of credit for use by the Company to finance operations and continued development. The terms of this financing arrangement expired on December 30, 2009. Interest is payable on amounts drawn down at an interest rate of 10% per annum. A commission of 2%, or 15,240,000 FCFA (US\$33,160) was charged in relation to the line of credit being made available to the Company. Any amounts drawn down will be secured by various pieces of mining equipment primarily being the diesel powered generators. As at December 31, 2009, the Company had not drawn from the line of credit and the facility was not renewed.

27. SUBSEQUENT EVENTS

In January 2010, the Company completed the acquisition of a 100% acquisition of the Keneiba concessions from Great Quest Metals Ltd. ("Great Quest"). As consideration, the Company paid \$500,000 in cash, and issued 7,608,696 common shares of the Company. A total of 1,902,704 common shares are being held in escrow (25% of the total share consideration) pending receipt of a government approval for the transfer of the Comifa concession. In the event that Great Quest is unable to obtain the arrête before January 8, 2011, then 20% of the escrowed shares shall be released to Avion on each anniversary of the closing date until the earlier of five years and the date Great Quest receives an government approval for the transfer of the Comifa Concession. Avion has also agreed to make future contingent payments of up to \$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 \$ 1.4 million in payments to complete its obligations under this new agreement.

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27. SUBSEQUENT EVENTS (continued)

The Company also executed an agreement to acquire a 100% interest in the Houndé group concessions in Berkina Faso from Avocet Mining PLC (“Avocet”). Upon signing a definitive agreement, the Company will issue 10,300,000 common shares to Avocet. This property is subject to a 2% NSR due to Barrick Gold, and certain back-in rights. Should Avion be successful in defining a >3 million ounce gold deposit on the Kari Nord and Kari Sud licenses, Barrick has the option to claw-back 75% indirect interest in the Kari properties by paying Avion an amount equal to the value of this interest subject to an independent valuation report. Should Avion be successful in defining a <3 million ounce gold deposit, Barrick has the option to claw-back 25% equity in the Houndé concession by paying Avion an amount equal to the value of this interest determined from an independent valuation. If the claw-back option in either case is exercised, Barrick will relinquish the NSR over that license(s). If the claw-back option in either case is exercised, Avion and Barrick will form a Joint Venture company under the terms in the Agreement with the majority holder taking on the role of operator.

In March 2010, the Company entered into a purchase agreement with AXMIN Inc. (“AXMIN”) under which the Company has agreed to acquire AXMIN’s interest in the Kofi Group concessions (“Kofi”) in Mali for total consideration of CDN\$500,000 and 4,500,000 common shares of the Company according to a payment schedule established in the definitive agreement. AXMIN’s direct interest in the concessions that comprise the Kofi property varies from 81.25% to 100%. Completion of the proposed acquisition is subject to the receipt of standard closing documents, including a title opinion, approval of the TSX Venture Exchange and Government approval in Mali for the license transfers.

Subsequent to December 31, 2009, 5,838,781 warrants and 245,000 options were exercised for gross proceeds of \$1,555,163. As well, the Company granted 4,455,000 stock options to directors, officers, employees and consultants of the Company.