



*Management's
Discussion &
Analysis*

*for the three and thirteen months ended
December 31, 2009*

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Thirteen Months Ended December 31, 2009

General

This management's discussion and analysis ("MD&A") has been prepared based on information available to Avion Gold Corporation ("we", "our", "us", "Avion", or the "Company") as of March 22, 2010. On May 22, 2009, the Company changed its name to Avion Gold Corporation from Avion Resources Corp. and started trading under its new name on the TSX Venture Exchange on June 5, 2009. This MD&A provides a detailed analysis of the Company's business and compares its financial results with those of the previous period and should be read in conjunction with our audited annual consolidated financial statements and notes for the thirteen-month period ended December 31, 2009. The financial statements and related notes of Avion have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information and press releases have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and are available online under our profile at www.sedar.com.

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 ending December 31, 2009 instead of a twelve month period ending November 30, 2009. The comparative period report is for the three and twelve months ended November 30, 2008.

References to the first, second, third and fourth quarters of 2009 or Q1-2009, Q2-2009, Q3-2009 and Q4-2009 and the first, second, third and fourth quarters of 2008 or Q1-2008, Q2-2008, Q3-2008 and Q4-2008 refer to the four months ended March 31, 2009, and the three months ended June 30, September 30, and December 31 2009, and the three months ended February 29, May 31, August 31, and November 30, 2008 respectively.

Effective September 30, 2009, the Company changed its reporting currency from Canadian dollars (CDN\$) to US dollars (USD\$) as the Company anticipates that the majority of its future revenue 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-30 "Translation Method when the Reporting Currency Differs from the Measurement Currency or there is a Change in the Reporting Currency". The Company's functional currency, which is Canadian dollars, remains unchanged. Consequently, all figures reported herein are in US dollars unless otherwise indicated.

Unless otherwise noted, this MD&A reports our activities through April 1, 2010.

OVERVIEW AND STRATEGIC DIRECTION OF THE COMPANY

Avion's common shares are listed on the TSX Venture Exchange ('TSX-V') under the symbol "AVR".

Avion is a Canadian-based gold mining company with a current focus in West Africa. Avion acquired a 100 square kilometre land and mine asset in May 2008, which contains the Tabakoto and Ségala gold projects, located in Mali, West Africa. To move this asset forward, Avion has built a strong team of qualified operational staff and geologists that executed a plan that resulted in the start of gold milling activities on February 17, 2009.

The Company commenced commercial production at the Tabakoto and Ségala gold projects on May 1, 2009. Prior to this, the Company was a development stage company as defined by the CICA Accounting Guideline 11.

During Q4-2009, the Company entered into an agreement with Great Quest Metals Ltd. ("Great Quest") to acquire 75% of their interest in three mineral concessions located adjacent to the south and west sides of the Tabakoto property. The Company was required to make cash payments of CDN\$2,360,000 and work commitments of CDN\$1,890,000 both over five years. On signing of the Option Agreement, Avion made a cash payment of CDN\$350,000. Subsequent to December 31, 2009, the Company entered into an agreement to acquire 100% of Great Quest's interest in these concessions. Consideration for this interest was \$4,000,000, of which \$500,000 was paid in cash in January 2010. The remainder was payable through the issuance of 7,608,696 common shares of the Company. These shares were issued subsequent to December 31, 2009. See the Mineral Properties section of this report for further details.

The Company's December 31, 2009 consolidated financial statements have been prepared in accordance with Canadian GAAP applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in its December 31, 2009 consolidated financial statements. For a full description of the Company's risks, please refer to the Risks and Uncertainties section of this report.

Q4-2009 HIGHLIGHTS

During the three-month period ending December 31, 2009, the following significant activities occurred:

- Avion produced 21,307 ounces of gold during the quarter, which is a 70% improvement over ounces produced in the third quarter of 2009. Gold production since the start of production in mid-February, 2009 has been 50,543 ounces of gold. Production for the year, including gold recovered during plant clean-up before the start of production, was 51,291 ounces of gold.
- Avion processed 179,100 tonnes of ore at an average grade of 3.83 g/t Au.
- The average mill recovery for the quarter was 96.7%.
- On November 2nd, Avion announced a deal to acquire 75% of the Kenieba concessions from Great Quest Metals Ltd. Upon further review Avion decided to acquire 100% of Great Quest's interest in the Kenieba property and announced the amended deal on December 21st.
- On December 10th, Avion closed a \$20 million dollar financing.
- Additional exploration results were released on December 16th, which described the results from drilling on the Tabakoto South and NE1 zones and a new zone intercept of 15.55 g/t Au over 5.5 metres.

MINERAL PROPERTIES

Mali, West Africa (Tabakoto and Ségala gold projects)

The Company acquired an 80% interest in the Tabakoto and Ségala gold projects in Mali, West Africa (the "Mali Projects") in May 2008. The remaining 20% interest is owned by the Government of Mali. This interest is subject to a 1% net smelter return royalty ("NSR") payable to the vendor. The Company has the option to buy out this NSR for \$2,000,000 at anytime up to five years following the date of closing. As well, the Mali Projects are subject to a 6% NSR payable to the Government of Mali.

The Mali Projects were also subject to an NSR of 2% payable to an arm's length third party. During Q4-2009, the Company negotiated a NSR buyout, with a payment of \$1,000,000 and the issuance of 3,500,000 common shares and 1,000,000 common share purchase warrants which are exercisable at a price of CAD\$0.60 per share expiring two years from the date of issue. TSX Venture Exchange final approval was received on November 1, 2009, and the buyout was completed on November 2, 2009.

The Government of Mali owns a 20% interest in the Mali Projects. The Company is required to fund 100% of all expenditures related to the exploration and development of these properties and holds preferential rights to recover all funding plus interest from future cash flows prior to the Government of Mali receiving dividends.

Exploration Review

Tabakoto and Ségala Projects, Mali

As of December 31, 2009, Avion had completed 111 holes (number includes re-started holes) totalling approximately 21,700 metres, local geological mapping, magnetic surveys and trenching. Results have been released for 25 of the Ségala Main holes, two Tabakoto South cross structure holes and for some of the trenching. Holes were also drilled to test the Tabakoto NE1 cross structure (4 holes), Tabakoto South and Dabo cross structures (10 holes), Ségala NW (3 holes), Ségala Far NW (4 holes), Ségala cross-structure (1 hole) Moralia (7 holes), Dar Salam (14 holes), NE Orpailleur (3 holes), Diolafoundou (6 holes) and Fougala areas (9 holes).

Two channel samples were collected from a 300+ metre long, northeast-trending, mineralized fracture in the southwest corner of the Tabakoto pit from the centre of the pit base access road and from the pit wall. The two channel samples are 13.0 metres apart, horizontally. The pit wall sample, which returned 108.68 g/t Au (18.24 g/t Au capped at 37.5 g/t Au) over 2.0 metres true thickness, comprised five samples ranging in grade from 7.32 g/t Au over 1.0 metres to 377.5 g/t Au over 0.25 metres. The channel sample from the pit access road returned 25.15 g/t Au (23.47 g/t Au capped) over 2.3 metres (true thickness). These results indicate an area of surface accessible, exceptional grades that will be further delineated through a focused drill program and modelling.

Ségala Main Zone Drill Holes

Twenty-five holes were drilled into the Ségala Main deposit between 140 to 600 metres below the surface. These holes were drilled to support a longer term underground mine plan by upgrading a significant portion of 452,600 ounces of inferred resources (4,072,000 tonnes grading 3.46 g/t Au) to measured and indicated resources. The final set of holes returned a best intercept of 5.17 g/t Au over 27.9 metres core length (19.0 metres true width). Additional drill holes are still required along the east side of the deposit where the edge of the high grade gold mineralization is still not defined. The Ségala Main deposit remains open to depth to at least 600 metres depth, vertically and as a result, Avion considers the likelihood of continuing to add additional resources in the immediate Ségala Main zone area to be high. An updated resource for the Ségala Main deposit completed at the end of the year increased both the Measured and Indicated resources and the grade.

Tabakoto South and Dabo Zones Drilling

The Tabakoto South Trend has been traced for 450 metres along strike and Avion suspected that it extends for at least 750 metres along strike. The Tabakoto South trend lies approximately 260 metres southeast, and is parallel to the NE1 zone described below. Within this trend two coherent zones of higher grade mineralization have been identified, the Dabo and Tabakoto South zones. The Tabakoto South Zone has been traced for approximately 300 metres along strike, to 275 metres below surface and is open to depth. Four of the six 2009 holes intersected significant gold mineralization with hole T-

09-08A returning a best intercept of 4.64 g/t Au over 9.7 metres (approximately 9.3 metres true width). Infill drilling is required since most of the holes are more than 50 metres apart.

The Dabo zone has been traced for approximately 250 metres along strike, to 250 metres depth and is open down plunge. Three of the seven 2009 drill holes that pierced this target horizon returned significant values with the best intercept of 4.83 g/t Au over 3.0 metres (2.9 metres true width). More infill and down-plunge drilling is required to test this zone which appears to increase in grade at depth with the best hole returning 7.92 g/t Au over 14.1 metres (approximately 11.0 metres true width).

Tabakoto NE 1 Zone Drilling and New Discovery

The NE1 trend lies in the southern part of the Tabakoto pit. On August 17, 2009, Avion released the results of channel samples collected along this trend that returned 108.68 g/t Au (18.24 g/t Au capped at 37.5 g/t Au) over 2.0 metres true thickness, and 25.15 g/t Au (23.47 g/t Au capped) over 2.3 metres (true thickness). This panel of mineralization can be traced along strike for approximately 300 metres and to depth for approximately 400 metres; this zone is still open to depth and partially along strike. Drill testing in 2009 comprised 4 core holes and 29 reverse circulation grade control holes. The core holes were drilled to test the western edge of the NE1 zone with 25 to 35 metre step-outs from previous holes. The RC holes tested a near surface panel approximately 70 metres long by 35 metres in depth in anticipation of developing a shallow open-pit resource. The core holes returned a best intercept of 4.42 g/t Au over 15.6 metres (approximately 12.0 metres true width) (see table at end). Reverse circulation holes indicated the presence of a continuously gold mineralized zone that returned a best value of 17.16 g/t over 9.0 metres (approximately 7.0 metres true width).

Drill testing of the NE1 trend also resulted in the intersection of a potential new, parallel zone of gold mineralization with an intercept of 15.55 g/t Au over 5.5 metres core length.

Mine Plan Studies

Studies to support a longer term mine plan are underway with underground mining studies in progress including possible mill expansion, efficiency improvements and heap leach testing. This work is being completed by both consultants and company staff and the bulk of it is expected to be completed by the end of Q1-2010. Leach test studies have been broadened to include a review of the economics of crushing and gravity concentrating the free gold. While initial leach test work suggests that recoveries of 85% of the gold is possible by leaching, all samples tested to date displayed the presence of gravity-recoverable coarse gold. Gravity recoveries for both the Tabakoto and Ségala mines range from 55 to 85% of the total gold content.

Current Resources

Avion's current Measured and Indicated Mineral Resource is 1.39 million ounces of gold grading 3.90 g/t Au. In addition, Avion's Inferred Mineral Resource is 1.21 million ounces of gold grading 3.78 g/t Au (Avion, January 6, 2010 news release). Avion has continued to refine the mineralization model for the Tabakoto deposit as support for an underground mining plan.

Mineral Resource Estimates

Measured and Indicated Mineral Resources⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁷⁾

Zone	Tonnes	Au g/t	Ounces	News Release Date
Potentially Open Pittable Ségala				
Main Measured	50,655	4.52	11,199	Current update
Main Indicated	200,801	5.64	35,610	Current update
NW Measured	536,666	2.11	36,461	Dec. 12, 2008
NW Indicated	251,570	3.34	26,997	Dec. 12, 2008
Potentially Open Pittable Tabakoto				
Measured	1,253,370	2.89	116,383	May 19, 2009
Indicated	2,882,992	3.48	322,946	May 19, 2009
Sub Total	5,176,054	3.30	549,596	
Potentially Underground Mineable Ségala				
Main Measured	4,504	4.70	681	Current update
Main Indicated	2,875,302	5.30	489,490	Current update
NW Measured	0	0.00		Dec. 12, 2008
NW Indicated	638,384	3.22	66,166	Dec. 12, 2008
Potentially Underground Mineable Tabakoto				
Measured	39,746	3.39	4,331	May 19, 2009
Indicated	2,645,377	3.73	317,476	May 19, 2009
Sub Total	6,203,313	4.40	878,144	

Inferred Mineral Resources⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾

Zone	Tonnes	Au g/t	Ounces	Comment
Potentially Open Pittable				
Ségala NW	2,196	3.28	231	Dec. 12, 2008
Dioulafoundou	349,296	3.76	42,177	May 19, 2009
Dar Salam	1,195,228	3.49	134,155	May 19, 2009
Tabakoto	982,628	3.47	109,568	May 19, 2009
Djambaye 2	2,445,300	3.92	307,800	May 19, 2009
Sub Total	4,974,648	3.71	593,931	
Potentially Underground Mineable				
Ségala NW	214,785	2.74	18,930	Dec. 12, 2008
Ségala Main	1,305,126	4.45	186,523	Current update
Dioulafoundou	102,010	4.41	14,461	May 19, 2009
Dar Salam	601,965	3.35	64,785	May 19, 2009
Tabakoto	2,682,100	3.73	321,300	May 19, 2009
Sub Total	4,905,586	3.84	605,999	

- † Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
- † The quantity and grade of reported inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category.

† The mineral resources in this press release were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council December 11, 2005.

- (1) The Inferred Resources are in addition to the Measured and Indicated Resources.
- (2) The mineral resources have been classified in accordance with requirements of NI 43-101 and the CIM standards. Resource estimates based on a gold price ranging from USD\$825 to USD\$ 900 per ounce.
- (3) Eugene Puritch, P. Eng. of P&E Mining Consultants Inc. Qualified Persons under NI 43-101, prepared the Current mineral resource estimates and have reviewed the technical disclosure herein relating to the resource estimates.
- (4) Milko Rivera, P.Eng and Farshid Gazanfari independent consultants, Qualified Persons under NI 43-101, prepared the May 19, 2009 mineral resource estimates and have reviewed the technical disclosure herein relating to the resource estimates. Eugene Puritch, P. Eng. of P&E Mining Consultants Inc. carried out an independent review of the resource model and provided preliminary open pit and UG mining scenarios.
- (5) Eugene Puritch, P. Eng. and Antoine Yassa, P. Geo. from P&E Mining Consultants Inc., Qualified Persons under NI 43-101 who are independent of the Company, are responsible for the mineral resource estimates presented on December 12, 2008 and have reviewed the scientific and technical information in this document relating to those estimates.
- (6) Carl Verley (P. Geo.), independent consultant, Qualified Person under NI 43-101, prepared the January 28, 2008 Djambaye 2 mineral resource study for Great Quest Metals Ltd.
- (7) Mineral resources that are not mineral reserves do not have demonstrated economic viability.

QA/QC Procedures

Avion's procedures for handling drill core are consistent with international standards and comprise initial description and logging into a Microsoft Access database. Mineralized and suspected mineralized intervals in the holes are described in detail and marked for sampling. Core is then cut in half with the right-hand portion of the core put into plastic sample bags and sealed. Assay standard samples are inserted every 20th sample and split core from every 20th sample is also quartered and sent in as a separate sample to double check the assays from these intervals. This sampling procedure was initiated and periodically reviewed by Avion's Senior Vice President of Exploration, Don Dudek, P. Geo. These samples were then delivered to a representative of SGS Mineral Service based in Kayes, Mali. The assay samples are then crushed to 2 mm with riffle split if required to 1.5 kg, the entire sample milled in a LM2 mill to a nominal 95% passing 75µm. All the preparation equipment is flushed with barren material prior to the commencement of the job. Gold values were determined by Fire Assay and AAS with a 50 gram nominal sample weight. Avion's channel samples were analyzed at Avion's Tabakoto mine laboratory. In order to ensure that local, exceptionally high grade assays are not overly represented in assay composites Avion is also presenting assay composites with high grade samples capped at 27.5 g/t Au, which is the capping level deemed appropriate for the Ségala Main Deposit and 37.5 g/t Au for the Tabakoto Deposit (Avion December 12th, 2008 news release).

Great Quest Metals Ltd. ("Great Quest") Kenieba Property option

The Great Quest properties comprise the Kenieba (Sansanto), Kenieba Est and Comifa concessions totaling approximately 32 km², which increases Avion's local property package by approximately 30%. The Kenieba concession hosts a 43-101 compliant inferred resource in the Djambaye 2 gold zone of 324,000 ounces (Carl Verley (P. Geo.), January 28, 2008 Great Quest news release). This equates to 2,574,000 tonnes grading 3.92 grams per tonne gold.

Avion Gold entered into an option agreement in respect of the Kenieba Concessions (see Avion Gold press release dated November 2, 2009) pursuant to which it could earn-in to acquire 75% of Great Quest's interest in the concessions. Pursuant to the Acquisition Agreement, Avion Gold has agreed to pay to Great Quest total consideration of US\$4,000,000, which shall be comprised of the payment of US\$500,000 in cash and the issue of 7,608,696 Avion Gold common shares. Avion Gold 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 of 50,000 ounces of 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.

The Djambaye 2 zone, which is open in three directions, has been traced for 1,800 metres along strike and to 150 metres depth, by drilling. Avion's sampling of artisanal workings returned from 0.7 to 10.09

g/t Au which indicated that the zone can be extended for an additional 350 metres along strike to the north. All holes drilled into the Djambaye 2a zone intersected gold mineralization with values ranging from 0.63 g/t Au over 6.3 metres core length to 16.35 g/t Au over 5.2 metres core length. The Djambaye 2b zone, located 15 to 30 metres to the west, also displays consistent gold bearing intercepts ranging from 1.33 g/t Au over 1.85 metres core length to 8.82 g/t Au over 4.45 metres core length. True widths are expected to be in the order of 70% or more of core length. The bulk of the mineralization at the Djambaye 2 zone is hosted by pyrite-, stockwork silicified-, albite- and carbonate-altered felsic intrusion and greywacke. This mineralization style differs from that at Avion's Tabakoto and Ségala mines with the predominance of pyrite over arsenopyrite a feature more in common with Randgold's Loulo deposits and the more extensive stockwork-type silicification.

Mining Operation Review

2009 Fourth Quarter production results

Avion produced 21,307 ounces of gold during Q4-2009, which is a 70% improvement over ounces produced in the third quarter of 2009. The Tabakoto plant processed 179,100 tonnes of ore at an average grade of 3.83 g/t Au. The average mill recovery for the quarter was 96.7%.

Gold production since the start of production in mid-February, 2009 has been 50,543 ounces of gold. Production for the year, including gold recovered during plant clean-up before the start of production, has been 51,291 ounces of gold. 2009 statistics to the end of the fourth quarter have been 562,750 tonnes of ore processed at an average grade of 2.95 g/t Au, and an average mill recovery of 95.4%.

Since starting mining operations in the first quarter of 2009, the Company has recorded the following production highlights (see table):

	Q1 ⁽¹⁾ Partial Quarter	Q2 ⁽²⁾	Q3 ⁽³⁾	Q4	2009 ⁽⁴⁾ Total
Ore Milled (000 t)	76.0	182.6	125.1	179.1	562.8
Head Grade (g/t Au)	2.74	1.99	3.25	3.83	2.95
Recovery (%)	92.8	93.7	95.5	96.7	95.4
Gold Production (oz)	6,958	10,992	12,517	21,307	51,291

(1) Mill was restarted on February 17, 2009. Gold production includes 747 oz recovered from plant clean-up work in 2009 prior to the mill restart.

(2) Commercial production was declared May 1, 2009.

(3) Includes two weeks downtime due to heavy rainfall and road transportation issues.

(4) 2009 total adjusted by -483 oz to reconcile to refined ounces.

RESULTS OF OPERATIONS

For the three months ended December 31, 2009

The Company reported net income of \$3,974,977 (\$0.02 per share) for the three months ended December 31, 2009 compared to a net loss of \$4,238,967 (\$0.06 per share) for the three months ended November 30, 2008. Other comprehensive income for Q4-2009 amounted to \$7,124,227 (2008: other comprehensive loss of \$3,521,558), which represents the foreign exchange difference determined using the current rate method to translate the financial statements to US dollars.

During Q4-2009, the Company sold 13,376 ounces of gold and generated \$14,176,875 in gold sales revenue. The Company was not operating during Q4-2008. Mine and processing expenses were \$7,877,637, which includes \$216,792 in amortized deferred stripping costs, and the Company recorded amortization and depletion of \$1,796,049. The Company is amortizing deferred property, plant and equipment related to the Mali projects on a unit of production basis from the current mine plan over an

estimated 333,558 ounces (approximately four years). The Company was subject to an aggregate NSR of 7% on metal sales during the quarter. As well, the Company was subject to a 2% royalty, and bought out this royalty in November 2009 for a cash payment of \$1,000,000 as well as the issuance of 3,500,000 common shares of the Company with a issue date fair value of \$1,050,000, and 1,000,000 share purchase warrants with an estimated grant date fair value of \$151,000. These warrants are exercisable into common shares of the Company at an exercise price of \$0.60 until November 2, 2011. The NSR buyout was deferred to Property, plant and equipment, and is being amortized on a unit of production basis as well. Royalties expense totaled \$1,072,801 for the ounces of gold sold during Q4-2009.

Corporate and administrative expenses for the quarter ended December 31, 2009 totalled \$1,423,672 compared to \$545,781 for Q4-2008. All expense categories increased compared to the fourth quarter of 2008 as a result of an overall increase in Company activities during 2009. In particular, the Company added to its management team since the acquisition of the Mali projects in May 2008. The Company granted performance bonuses during Q4-2009. As well, corporate travel has increased significantly as a result of travel to Mali. The Company continues to share office space and other resources with companies that have common directors and officers.

Non-cash stock based compensation expense for Q4-2009 was \$80,921 (Q4-2008: \$351,217) related to the estimated fair value of stock options that were granted and/or vested during Q4-2009. No stock options were granted during Q4-2009, however options previously granted vested generating the expense. During Q4-2008, 1,650,000 stock options were granted. Stock based compensation was estimated using the Black-Scholes option pricing model.

During Q4-2009, the Company incurred a non-cash accretion expense of \$30,812 related to the Company's asset retirement obligations acquired through the acquisition of the Mali projects (Q4-2008: \$73,024).

The Company owns approximately 9 million shares of Midlands Minerals Corporation ("Midlands"). The Company does not hold significant influence. The Company has classified this investment as held-for-trading. As a result, an unrealized gain of \$1,289,046 was recognized during the quarter based on the fair market value of the shares as at December 31, 2009. No securities were held during the comparative quarter, and consequently no gains/losses were recognized.

The Company also incurred a foreign exchange translation gain of \$961,557 during the Q4-2009 compared to a loss of \$967,666 during Q4-2008.

For the thirteen months ended December 31, 2009

The Company reported net income of \$2,597,185 (\$0.02 per share) for the thirteen months ended December 31, 2009 compared to net loss of \$6,284,685 (\$0.13 per share) for the twelve months ended November 30, 2008. Other comprehensive income for the thirteen-month period amounted to \$6,496,509 (2008: loss of \$5,088,898), which represents the foreign exchange difference determined using the current rate method to translate the financial statements to reporting currency, the US dollar.

The Company commenced commercial production on May 1, 2009. As a result, production revenues and operating costs since that time are reflected on the statement of operations, while any pre-production revenues along with expenses associated with these revenues prior to that date are recorded against the deferred project costs.

Since the start of commercial production, the Company sold 34,347 ounces of gold and generated \$33,647,850 in gold sales revenue. Mine and processing expenses were \$21,295,256, which includes \$493,240 in amortized deferred stripping costs, and the Company recorded amortization and depletion of \$3,344,403. Royalties totaled \$2,864,842. Future royalties are expected to amount to 7% instead of 9% of future gold sales as a result of the royalty buyout during the fourth quarter.

Corporate and administrative expenses for the thirteen months ended December 31, 2009 totalled \$3,525,051 compared to \$755,343 for the twelve months ended November 30, 2008. All expense categories increased compared to the comparative period for 2008 as a result of an overall increase in Company activities during 2009. In particular, the Company added to its management team since the acquisition of the Mali projects in May 2008. As well, the Company hosted analyst meetings at the mine site to raise investor awareness, resulting in substantially higher shareholder costs. The Company participated in additional trade shows and conferences throughout the year as well. Travel to the site has generated higher travel costs for the current thirteen month period. The Company shares office space and other resources with companies that have common directors and officers.

Non-cash stock based compensation expense for the current thirteen month period was \$1,227,261 (2008: \$1,247,449) related to the estimated fair value of stock options that were granted and/or vested during the period. A total of 4,650,000 stock options (November 30, 2008: 6,570,000) were granted to directors, officers, consultants and employees of the Company during the thirteen month period. Stock based compensation was estimated using the Black-Scholes option pricing model.

During 2009, the Company incurred non-cash accretion expenses of \$398,875 (2008: \$168,782) arising from the Company's asset retirement obligations as well as accretion on the warrant value associated with the short-term debt owing to Aberdeen International Inc. ("Aberdeen") repaid earlier in 2009. The Company incurred interest expense of \$396,470 during 2009 related to short-term debt owing to both Aberdeen and to Dynamite Resources Ltd ("Dynamite") prior to its acquisition in May 2009. During 2008, \$208,699 in interest expense was incurred primarily on the Aberdeen and Dynamite loans. These debts carried an interest rate of 10% per annum.

The Company recognized an unrealized gain of \$1,248,066 with respect to its Midlands shares acquired during 2009 and held at December 31, 2009.

The Company incurred a foreign exchange translation gain of \$668,621 during 2009 compared to a loss of \$1,013,300 during 2008.

ANNUAL INFORMATION

The annual results have been as follows, in '000's except per share amounts:

	2009	2008	2007
Net income (loss)	2,597	(6,285)	(769)
Income (loss) per share, basic and fully diluted	0.01	(0.13)	(0.14)
Total assets	87,756	32,681	2,079
Total long term liabilities	5,053	3,554	-

SUMMARY OF QUARTERLY RESULTS

This summary of unaudited quarterly results has been prepared in accordance with Canadian GAAP.

(in '000's except per share amounts)		Revenue	Income (Loss)	Income (Loss) per share	Long Term Liability
		\$	\$	\$	\$
Q4-2009	December 31, 2009	14,202	3,975	0.02	5,053
Q3-2009	September 30, 2009	13,933	444	0.00	3,864
Q2-2009	June 30, 2009	5,597	(581)	(0.00)	3,789
Q1-2009	March 31, 2009 * four-month period	-	(1,241)	(0.02)	3,626
Q4-2008	November 30, 2008	-	(4,239)	(0.08)	3,554
Q3-2008	August 31, 2008	-	(1,119)	(0.02)	4,080
Q2-2008	May 31, 2008	-	(831)	(0.03)	4,288
Q1-2008	February 29, 2008	-	(96)	(0.01)	-

The Company commenced commercial production during Q2-2009 resulting in revenue from operations recognized during the period. Q3-2009 reflects a full quarter of commercial production revenues. The Company did not have income from operations prior to the quarter ended March 31, 2009. During Q1-2009, the Company recognized pre-production revenues which were recorded against deferred exploration costs.

The loss during the quarter ending May 31, 2008 is a result of a large non-cash stock based compensation expense related to the issue of 3,050,000 stock options during the period. The loss recognized during the quarter ending November 30, 2008 is a result of both stock based compensation expense and a write off of project costs related to the Dundonald project. During the quarter ended November 30, 2008, the Company recognized a loss of approximately \$2,500,000 as a result of the write down of the Ethiopian projects. During the quarter ended March 31, 2009, the Company's loss is attributed to large interest and accretion expenses related to short-term debentures and the Company's asset retirement obligations. In Q2-2009, the Company incurred a large stock-based compensation expense but the start of commercial production has mitigated the loss. Income from Q3-2009 is a result of full commercial production during the quarter. An unrealized gain of approximately \$1,289,000 contributed to income generated during Q4-2009.

The Company's long term debt consists of asset retirement obligations related to the Mali projects acquired at the end of May, 2008. Management has reassessed the asset retirement obligation during 2009 and has recorded an increase during 2009.

LIQUIDITY AND CAPITAL RESOURCES

As of the start of production, financing of operations is achieved primarily through metal sales. At December 31, 2009, the Company had \$20,541,856 in cash and working capital of \$32,658,584.

In Q4-2009, the Company completed a public offering raising CDN\$21,157,984 (\$19,943,429) net of cash issue costs through the issuance of 57,500,000 common shares of the Company at a price of CAD\$0.40 per share. A commission of 6% or CDN\$1,380,000 (\$1,464,000) was paid to the underwriters of the financing. In addition, the underwriters received 3,450,000 broker options in relation to this financing. These broker options are exercisable into common shares of the Company at an exercise price of CDN\$0.40 expiring December 10, 2010.

During Q1-2009, the Company completed a private placement financing raising CDN\$2,801,205 (\$2,361,380) net of cash issue costs through the issuance of 37,500,000 units of the Company at a price of CDN\$0.08 per unit. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at a price of CDN\$0.10 for a period of 18 months. A commission of CDN\$178,800 (\$150,721) was paid to Delano Capital Corp. as a result of this financing, as well as 2,235,000 broker options granted at an exercise price of CDN\$0.08 expiring January 2010. An officer of the Company is also an officer of Delano Capital Corp.

As at December 31, 2009, the Company owns 9,098,500 common shares of Midlands Minerals Corporation ("Midlands"). The Company owns less than 20% of Midlands with no board membership, and does not hold significant influence. The acquisition of an interest in Midlands is consistent with Avion's growth strategy in Western Africa through strategic acquisitions and accelerated development of the Tabakoto and Ségala assets. Midlands' primary asset is the Sian and Kwahu Prasso projects in central Ghana.

CASH FLOWS

For the quarter ended December 31, 2009

During the quarter ended December 31, 2009, operating activities used \$2,143,275 in cash flows compared to providing \$910,220 during Q4-2008. Operations, net of corporate administrative expenses, generated approximately \$6,700,000 in cash while working capital tied up \$4,600,000 during Q4-2009. During the Q4-2008, operating cash was used for corporate purposes.

Cash from investing activities used \$16,723,645 during Q4-2009 compared to the use of \$3,389,157 during Q4-2008. Expenditures on properties, plant and equipment used \$6,732,576 during Q4-2009 compared to \$4,090,975 during Q4-2008. Also, during Q4-2008, the Company realized \$975,416 in pre-production revenues that were recorded against deferred project costs. The change in working capital related to properties, plant and equipment used \$2,513,674 for Q4-2009 compared to the use of \$274,546 for Q4-2008. The Company paid advances during Q4-2009 to acquire equipment.

Financing activities provided \$22,076,553 during Q4-2009 compared to \$4,754,630 during Q4-2008. A public offering raised \$19,943,429 net of issue costs during Q4-2009 (Q4-2008: \$nil). The exercise of warrants and options generated \$2,202,123 in cash for Q4-2009 compared to \$nil during Q4-2008. The Company paid \$67,488 on the acquisition of Dynamite during Q4-2009. During Q4-2008, \$4,754,630 was provided through short-term debt.

The effect of the change in foreign exchange rates on cash used \$375,369 during Q4-2009 compared to \$nil during Q4-2008.

For the thirteen months ended December 31, 2009

During the year ended December 31, 2009, operating activities provided \$3,034,444 in cash flows compared to providing \$14,554 during 2008. Operations, net of corporate and administrative expenses, generated approximately \$9,300,000 in cash during 2009 while working capital used \$6,300,000. During 2008, corporate and administrative expenses used \$234,000 while working capital provided \$249,000.

Cash from investing activities used \$17,945,762 during 2009 compared to the use of \$32,089,240 during 2008. During 2008, the Company used \$22,874,389 to acquire the Mali projects. Expenditures on properties, plant and equipment used \$20,648,305 during 2009 compared to \$10,255,419 during

2008. The Company realized pre-production revenues during 2009 of \$7,255,512 (2008: \$975,416) which were applied against deferred properties, plant and equipment. The change in working capital related to property, plant and equipment used \$4,461,595 for the current year under review compared to providing \$84,728 for the comparable year. The Company acquired security investments during 2009 for net cash proceeds of \$91,374 (2008: \$nil).

Financing activities provided \$33,010,271 during the thirteen months ended December 31, 2009 compared to \$33,936,413 during 2008. The Company raised \$22,304,809 net of issue costs through private placement and/or public offerings during 2009 compared to \$27,595,243 during 2008. The exercise of warrants and options generated \$3,877,941 in cash in 2009 compared to \$14,305 in 2008. The Company acquired net cash of \$7,409,907 through the acquisition of Dynamite. The Company retired debt through the net use of \$582,386 in cash in 2009 compared to acquiring debt providing \$5,765,314 in cash in 2008. During 2008, the change in subscriptions receivable provided \$561,551 in cash.

The effect of the change in foreign exchange rates on cash used \$375,369 during 2009 compared to \$nil during 2008.

TRANSACTIONS WITH RELATED PARTIES

The Company was charged \$14,178 and \$57,515 during the three and thirteen months ended December 31, 2009 respectively (Q4 2008: \$13,039; 2008: \$27,544) for administrative fees charged by a corporation controlled by a director of the Company.

The Company shares its premises with other corporation that have common directors and officers, and the Company reimburses these corporations for its proportionate share of the expenses. Included in accounts payable and accrued liabilities at December 31, 2009 is \$nil (2008: \$17,923) owing to such corporations. The Company has advanced \$44,677 at December 31, 2009 to cover these expenses (2008: \$nil), and the Company is owed \$48,840 (2008: \$nil) in reimbursable payments as well. 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 debenture and loan agreements with Aberdeen. Any loans outstanding to Aberdeen had been paid by the end of the second quarter of 2009.

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. Of the existing Dynamite stock options outstanding at the time of acquisition, 2,662,600 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, and 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. (see Liquidity and Capital Resources).

DIRECTORS AND OFFICERS COMPENSATION

For the three and thirteen months ended December 31, 2009, the Company was charged \$425,346 and \$546,833, respectively, for consulting, special committee fees and bonuses by directors or by

companies controlled by directors of the Company (Q4-2008: \$13,039; 2008: \$206,580). The Company was charged \$558,154 and \$1,506,743 respectively for consulting fees and bonuses for the three and thirteen months ended December 31, 2009 (Q4-2008: \$148,659; November 30, 2008: \$864,644) by officers of the Company.

SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares of which 299,400,594 were issued and outstanding as of the date of this report.

Pursuant to the Company's Stock Option Plan, the number of common shares reserved for issuance under the Plan in aggregate shall not exceed 10% of the total number of issued and outstanding common shares on a non-diluted basis. As at the date of this report, 26,318,869 options (including broker compensation options) are outstanding at exercise prices ranging from CDN\$0.20 to CDN\$1.07 expiring between May 8, 2010 and March 10, 2015.

The following table sets out all the outstanding share purchase warrants in Avion as at the date of this report:

Expiry Date	Exercise Price (CDN\$)	Warrants Outstanding
July 12, 2010	0.10	6,000,000
May 8, 2011	0.65	28,800,000
November 2, 2011	0.60	1,000,000
		<u>35,800,000</u>

During 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.

Avion has no performance shares or escrow shares.

SUBSEQUENT EVENTS

Avion announced a significant upgrade to the mineral resources on the Tabakoto Project on January 6, 2010 with the announcement of a resource update for the Segala Main deposit. The Measured and Indicated underground mineral resource at the Segala Main Zone increased more than 100% to

490,000 ounces Au with the grade increasing 38% to 5.29 g/t Au. Updated Measured and Indicated mineral resources increased by 18% to 1.43 million ounces to a grade of 3.90 g/t Au(i).

On January 29, 2010 Avion announced a deal to acquire a 100% interest in Avocet Mining Plc's Hounde Property. In order to earn 100% of Hounde, Avion, will, upon signing a definitive agreement, issue Avocet 10.3 million shares of Avion. Completion of the proposed acquisition is subject to the completion of due diligence, approval of the TSX Venture Exchange, the royalty holder and Government approval in Burkina Faso of the license transfers.

Part of the Hounde Group (Kari Nord and Kari Sud licenses comprising 480 km² or 29% of the property) is subject to a 2% NSR due to Barrick Gold ("Barrick") and certain back-in rights. Should Avion be successful in defining a greater than 3 million ounce gold deposit on the Kari Nord and Kari Sud licenses, Barrick has the option to claw-back a 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 less than 3 million ounce gold deposit, Barrick has the option to claw-back 25% equity in the Hounde 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.

RISKS AND UNCERTAINTIES

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including, but not limited to, environmental, metal prices, political and economical risks.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters.

For additional disclosure regarding certain risks that could affect the Company, please refer to the Company's Annual Information Form filed on November 19, 2009.

COMMITMENTS

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 is contracted to purchase fuel as required, however if the contract was terminated, the Company would be obligated to pay 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.

SIGNIFICANT ACCOUNTING POLICIES

The annual consolidated financial statements are prepared using the same accounting policies and methods of application as those disclosed in note 3 to the Company's Audited Annual Consolidated Financial Statements for the period ended December 31, 2009.

New accounting policies

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.

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.

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.

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 Mining 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.

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.

Foreign Currency Translation

The Company's functional currency is the Canadian dollar. 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. Effective September 30, 2009 the Company changed its reporting currency to United States dollars. 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", the 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.

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 December 31, 2009	
	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

New accounting policies

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. This standard is effective for years beginning on or after January 1, 2009. The adoption of this standard had no impact on these consolidated 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 the consolidated 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.

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.

Future Accounting Pronouncements

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. Section 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 determined the impact these new standards will have on its consolidated financial statements, if any.

Convergence with 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 Avion 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 and is expected to consist of the following three key project phases:

1. Raise Awareness and Assess Phase
2. Design Phase
3. Implementation Phase

Phase 1: Raise Awareness and Assess

This first phase of the conversion project has two stages focusing firstly on raising awareness within the Company and providing an initial assessment of the impact of the IFRS conversion, and secondly on carrying out a detailed assessment of the impact of the conversion to IFRS. Each section will be thoroughly reviewed and analyzed for accounting or disclosure differences between Canadian GAAP and IFRS. Once differences have been identified they will be reviewed for potential impacts to existing accounting policies, information systems and business processes. An action plan will then be developed for each impact area. This phase is currently underway.

Phase 2: Design

Following completion of the assessment phase, the focus of the design phase will build the tools required for the conversion based on management's decisions about accounting options and the related disclosures. During this phase, external consultants will assist the project team in designing the changes to be implemented relating to accounting and consolidation processes, information technology systems and other affected business aspects, including but not limited to, changes to contracts, key performance indicators, internal reporting.

The design phase will also involve revisiting the communication and training strategies to be carried out during the implementation of IFRS and updating the operational and milestone plans, and an issues log for finalization of actions to be taken during the implementation phase.

Phase 3: Implementation

The implementation stage is about execution. The roll-out of the designed changes takes place during this phase.

This phase will accomplish:

- Developing the new accounting policies, accounting manuals, guidelines, processes for reporting packages from business units, and consolidation templates;
- Preparing the IFRS financial statements and related disclosures including facilitating and supporting the dry run financial reporting process; and
- Developing revised internal control processes, including updating the key controls for NI 52-109 purposes.

All phases are expected to be completed during 2010 in order to facilitate comparative reporting during 2011.

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.

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 - \$9,464,091). 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.

(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.

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.

CRITICAL ACCOUNTING 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.

CAUTIONARY NOTES REGARDING FORWARD LOOKING INFORMATION

Don Dudek, P.Geol. Avion's Senior VP Exploration and Director, and Andrew Bradfield, P.Eng., Avion's Chief Operating Officer, are the Qualified Persons for this MD&A as defined under National Instrument 43-101 and are responsible for the technical and scientific work carried out and have reviewed and approved the scientific and technical information presented in this MD&A.

Except for statements of historical fact relating to Avion, certain information contained herein constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the development potential of the Company's properties; future mineral prices; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations, the realization of mineral reserve and resource estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; permitting time lines and permitting, mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such statements are made. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting, construction, expansion and start-up; variations in mineral grade and recovery rates; delay or failure to receive government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future mineral prices; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, as well as those factors discussed herein under the heading "Risks". Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not

to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

OFF BALANCE SHEET ITEMS

The Company does not have any off balance sheet items.

OUTLOOK

In February 2009, Avion commenced mining operations at its Ségala and Tabakoto properties in Mali West Africa mining. The Company restarted the mill on February 17, 2009 and has been successfully running at an average of approximately 1,800 tonnes per day.

Avion has set an objective of achieving a production rate of 200,000 ounces of gold per year from its Tabakoto/ Ségala operations. The ability of Avion to increase production to 200,000 ounces of gold per year has not been the subject of a feasibility study and there is no certainty that the proposed expansion will be feasible or economically viable.

Avion considers its current estimated mineral resource at the Tabakoto, Ségala and Djambaye 2 Zone properties of Measured and Indicated mineral resources of 10.8 million tonnes grading 3.9 g/t Au or some 1.39 million ounces of gold, and Inferred mineral resources of 9.88 million tonnes grading 3.78 g/t Au or some 1.2 million ounces of gold, supports this goal (please refer to Avion press release dated January 6, 2010). Avion plans to spend up to \$10 million on exploration during 2010, with a mandate to increase the mineral resource base, and convert some of the Inferred mineral resources to Measured and Indicated mineral resources.

A development schedule is presented in the table below.

Project milestones	2010				2011				2012
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
60,000 metre exploration program	•	•	•	•					
Future exploration programs					•	•	•	•	•
Update plant expansion study	•								
Gravity gold vs leach study	•								
Order plant long lead time equipment		•							
Construct gravity gold recovery plant		•	•	•					
Tabakoto underground development			•	•	•	•	•	•	
Fast-track two Tabakoto u/g devel. areas				•	•	•			
Update mineral resource statement				•					
Issue NI43-101 report with mine plan				•					
Plant expansion construction					•	•	•	•	
Segala underground development					•	•	•	•	•
200,000 oz/year gold production									◇

Technical Details

Avion's progress to date towards expansion is summarized below:

- 2010 Exploration Program – 60,000 metres planned
 - Exploration planning completed. Will focus on the development of additional, and further definition of, mineral resources in Q1 and Q2.
 - Current highest priority targets include:
 - i. Tabakoto
 - ii. Djambaye I, Djambaye II and Fougala 1 zones
 - iii. Dioulafoundou
 - iv. Dar Salam
 - v. Segala Far NW
- Leach and grinding/gravity gold test studies
 - First two rounds of leach and gravity studies - completed. Up to 85% leach recovery from oxide material achieved. Potential to recover significant gold from sub-grade material (below the current economic cut-off grade) by grinding and gravity separation alone.
 - Third round of leach studies – underway. Results expected Q1 2010.
 - Gravity test work on fresh low grade material – underway. Will determine gravity recovery by grind size. Results expected Q1 2010.
 - Stand-alone gravity separation plant for sub-grade and low grade material - being studied. Objective is to increase gold production by 10,000 oz Au to 20,000 oz Au per year.
- Mill studies – Ball mill versus SAG (semi-autogenous grinding)
 - Grinding studies support the use of a SAG mill for Tabakoto and Segala ores to achieve 4,000 tonnes per day production.
 - SAG mill is expected to increase plant availability during the rainy season.
 - Capital and operating cost estimate for expanding plant to 4,000 tonnes per day – completed by engineering firm. Study compares SAG versus ball mill requirements to achieve 4,000 tonnes per day plant throughput. Study is being revised based on Avion's internal review. Expected Q1 2010.
 - Avion currently sourcing new and used SAG and ball mills to firm up capital costs and lead time estimates. Mill order expected to be placed Q2 2010.
- ILR (inline leach reactor) studies
 - Test work on gravity gold concentrates – completed. ILR considered suitable for the process.
 - ILR expected to increase gravity Au recovery and reduce handling of physical gold.
- Underground mining at Tabakoto
 - Initial development and mining plans for Tabakoto and Segala – completed, with optimization in progress.
 - Infrastructure equipment ordered to date includes dewatering system, ventilation fans and mobile equipment. Maintenance shop, change house, offices – detailed engineering/drafting underway.
 - Generators for power plant - purchased.
 - Camp construction for additional employees - underway.
 - Construction of Tabakoto pit water diversion ditch - underway.

- Backfill test work on tailings - underway.
- Contract negotiations with mining contractor - advancing.
- Over \$10 million in purchases committed to the project to date.

Avion's future plans include:

- Updated mineral resource models scheduled to be completed Q4 2010.
- Proposed construction and development timeline
 - Develop additional open pitable resources in 2010 via accelerated exploration in priority target areas
 - Order plant expansion long lead time equipment in Q2 2010
 - Commence construction of stand-alone gravity gold facility Q2 2010
 - Tabakoto underground development expected to commence Q3 2010
 - Underground development of areas behind the existing Tabakoto open pit walls to the north and south scheduled to be fast-tracked for expected production in Q4 2010
 - Underground mineral resources below the existing Tabakoto pit bottom to be developed starting in Q4 2010
 - Segala underground development expected to commence Q1 2011
 - Plant expansion construction expected to be completed during 2011
- Project studies
 - Avion continues to analyze a 200,000 ounce per year production scenario. Significant progress has been made towards this target, with a goal to update the production plan in Q4 2010 with the support of a NI 43-101 compliant technical report once new mineral resource models are completed based on the 2010 exploration program, and the Tabakoto underground mine development is advanced.

April 1, 2010