

AVION GOLD CORPORATION
(FORMERLY AVION RESOURCES CORP.)

*Management's
Discussion &
Analysis*

*for the three and seven months ended
June 30, 2009*

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Seven Months Ended June 30, 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 August 20, 2009. During the quarter, the Company changed its name to Avion Gold Corporation from Avion Resources Corp. The 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 unaudited interim consolidated financial statements and notes for the three and seven-month period ended June 30, 2009, as well as our audited annual financial statements and notes and MD&A for the year ended November 30, 2008. 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 seven month period ending June 30, 2009 instead of a six month period ending May 31, 2009. The comparative period report is for the three and six month months ended May 31, 2008.

References to the first and second quarters of 2009 or Q1-2009 and Q2-2009 and the first and second quarters of 2008 or Q1-2008 and Q2-2008 refer to the four months ended March 31, 2009, the three months ended June 30, 2009, and the three months ended February 29, 2008 and May 31, 2008 respectively.

Unless otherwise noted, this MD&A reports our activities through August 24, 2009. All figures are in Canadian dollars unless otherwise indicated.

OVERVIEW 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 focused in Africa 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 Segala 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 on May 1, 2009. Prior to this, the Company was a development stage company as defined by the Canadian Institute of Chartered Accountants (the "CICA") Accounting Guideline 11.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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

the accompanying financial statements. For a full description of the Company's risks, please refer to the Risks and Uncertainties section of this report.

Q2-2009 HIGHLIGHTS

During the three month period ending June 30, 2009 the following significant activities occurred:

- Avion produced 10,994 ounces of gold during the quarter. Production since the start of production in mid-February, 2009 has been 17,205 ounces of gold.
- Avion processed 182,586 tonnes of ore at an average grade of 1.99 g/t Au.
- The average mill recovery for the quarter was 93.7%.
- Avion acquired Dynamite Resources Ltd. ("Dynamite") and regained its 80% interest in the Segala deposit in Mali.
- Avion released an updated mineral resource which indicated a 169% increase in measured and indicated resources and a 152% increase in inferred resources.
- The 2009 Exploration Program commenced during the quarter with 29 holes totaling 5,871.5 drilled through to end of June (results pending hole logging and sampling).

MINERAL PROPERTIES

Mali, West Africa (Tabakoto and Segala gold projects)

In May 2008, the Company closed a share purchase agreement for the acquisition of an 80% interest in the Tabakoto and Segala gold projects located in Mali, West Africa (the "Mali Projects"). The remaining 20% interest is owned by the Government of Mali. The Tabakoto project was previously a producing gold mine and has all mining infrastructure and processing facilities in place. As consideration, the Company paid US\$20,000,000 (CDN\$20,114,000) for the purchase of an 80% interest. The vendor retains a 1% net smelter return royalty ("NSR"). The Company has the option to buy out the NSR for US\$2,000,000 at anytime up to five years following the date of closing. The Company is also subject to an NSR of 2% payable to an arm's length third party, for which the Company can buy out this royalty with a payment of US\$2,000,000 anytime up to five years from the date of closing, as well as a 6% royalty payable to the Government of Mali.

The Company agreed to a US\$1,000,000 break fee if the transaction did not close before May 2008. To post the break fee, the Company borrowed US\$1,000,000 from Aberdeen International Inc. ("Aberdeen"), a company that has common directors and officers. As at June 30, 2009, the Company settled its obligations with Aberdeen with respect to this loan.

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 shareholders receiving dividends.

In May 2009, the Company acquired all of the outstanding common shares of Dynamite in exchange for 85,151,250 common shares of the Company whereby each Dynamite common share was exchanged for 0.75 of the Company's shares. Each outstanding Dynamite convertible security has also been converted, and is exercisable for common shares of the Company based on the same exchange ratio.

Exploration Review

Tabakoto and Segala Projects, Mali

As of August 15th, Avion had completed 77 holes totalling approximately 13,400 metres, local geological mapping, magnetic surveys and trenching. Results have been received for four of the initial Segala holes and for some of the trenching.

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 modeling.

Segala Drill Holes:

Hole S-09-01A intersected 3.62 g/t Au (3.35 g/t Au capped) over 26.9 metres core length (approximately 17.9 metres true width) approximately 330 metres from surface; this intercept includes a higher grade core that returned 5.12 g/t Au (4.68 g/t Au capped) over 15.95 m core length (10.7 metres true width). Hole S-09-02, located 160 metres to the east, returned 5.37 g/t Au (no capping required) over 20.89 m core length (approximately 18.0 metres true width) approximately 320 metres below surface. Both holes tested an area of the Segala Main Deposit that, from a resource study announced on December 12, 2008, contains an inferred mineral resource. Both of these holes extend the higher grade mineralization to depth where the ore resource model had indicated lower grades. In the case of hole S-09-01A the block model predicted a grade of 2.50 g/t Au. For hole S-09-02 the block model predicted grades ranging from 3.00 to 4.00 g/t Au.

Hole S-09-03A intersected 2.32 g/t Au (2.24 g/t Au capped) over 32.15 metres core length (approximately 20.0 metres true width) approximately 310 metres from surface; this intercept includes a higher grade core that returned 8.19 g/t Au (7.70 g/t Au capped) over 5.25 m core length (3.3 metres true width). Hole S-09-04, located 62.0 metres to the east, returned 3.89 g/t Au (3.07 capped) over 49.3 metres core length (approximately 27.0 metres true width) approximately 338 metres below surface; this intercept includes 5.00 g/t Au (4.09 g/t capped) over 10.2 metres core length (5.6 metres true width), 11.30 g/t Au (7.60 g/t Au capped) over 7.9 metres core length (4.4 metres true width) and 4.65 g/t Au over 5.7 metres core length (3.2 metres true width). Holes S-09-03A and S-09-04 tested an area of the Segala Main Deposit that, from a resource study announced on December 12, 2008, contains an inferred mineral resource. Both of these holes extend the higher grade mineralization to depth where the ore resource model had indicated similar to slightly higher grades. Assay results for drill hole S-09-

05, which tested the Segala Main zone below all previous drilling at more than 500 metres from the surface, are still pending.

Avion's exploration program is progressing with two core drills and one RC drill. To the end of June approximately 11,000 metres of drilling in 55 holes have been completed. A minimum of 15,000 metres of core drilling is planned. The drill program is designed to both increase the confidence in existing resources and to discover new mineralized zones. The drill program to date has tested targets at the Segala Main (10 holes), Dar Salam (14 holes), Moralia (9 holes), NE Orpailleur (2 holes), Fougala (9 holes), Diolafoundou (3 holes) and to a lesser extent Tabakoto zones (6 holes). The next series of holes will further test the Segala and Tabakoto areas. Results are pending for the non-Segala Main holes, which were prioritized.

Studies to support a capacity upgrade to 200,000 ounces per year are in progress with grinding studies, preliminary mill expansion and open pit versus underground mining studies underway. This work is being completed by both consultants and company staff and is expected to be completed before year-end. Avion's current Measured and Indicated Mineral Resource is 1.21 million ounces of gold. In addition, Avion's Inferred Mineral Resource is 1.14 million ounces of gold.

Avion's procedures for handling drill core 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 Segala Main Deposit and 37.5 g/t Au for the Tabakoto Deposit (Avion December 12th, 2008 news release).

Mining Operation Review

2009 First Quarter production results

Avion produced 6,211 ounces of gold to the end of March, 2009. Gold production to the end of March was approximately 1,013 ounces ahead of plan.

Commercial Production Achieved – May 1, 2009

Avion announced that as of May 1, 2009 it reached "commercial production" at its Segala and Tabakoto Gold Project in Mali.

Avion commenced production on February 17, 2009 as planned. Between February 17 and April 30th, the Company achieved the following:

- started the crusher and mill, which is now operating at 1,800 tonnes per day, and is ramping up to the budgeted rate of 2,200 tonnes per day.
- started the Segala Pit with surface waste stripping and processing of ore grade stockpiled “orpeilleur” or artisanal miner workings, and is processing oxide ore from the pit.
- lowered operating costs to almost half of budgeted costs by processing the stockpiled ore while developing the Segala pit.
- reached the fresh ore zone horizon at Segala, and continuous ore feed of this material is being delivered at a rate of 2,200 tonnes per day.
- signed an earth-moving contract with a Malian Contractor, SFTP, with a view to establish a co-operative working relationship and developing capacity in Mali.

2009 Second Quarter production results

Avion produced 10,994 ounces of gold during the second quarter of 2009. Production at the mine began in mid February and since then the Company has produced a total of 17,205 ounces of gold. The plant at Tabakoto processed 182,586 tonnes of ore during the second quarter, at an average grade of 1.99 g/t Au. The average mill recovery for the quarter was 93.7%.

As a result of the strong operational start up and the continued exploration success in expanding the mineral resource, the Company believes that a 100% capacity upgrade is possible. To accomplish this goal, Avion is conducting grinding tests with Starkey and Associates Inc. of Oakville, Ontario in Canada, to determine if a SAG mill could be used, and has contracted Lycopodium Minerals Pty Ltd in Australia to develop the plan for the process plant capacity upgrade.

In addition, Avion is analyzing the potential to increase production through the application of heap leach technology on the lower grade mineralization. Leach studies have commenced with the first batch of samples being sent for testing to Dawson Metallurgical Laboratories in Utah, USA; Avion’s initial testing of non-oxidized Segala low grade samples (grading approximately 0.6 g/t Au) indicated recoveries in a 24 hour bottle roll test of assay pulps ranging from 61% to 84.5%. Currently Avion employs a cut-off grade of 1.2 g/t Au. Material grading from 0.5 to 1.2 g/t Au is being stockpiled in the event that leaching is profitable. Avion plans to complete these studies before year-end.

Despite the strong start to the year, Avion believes there are a number of areas where further improvements can be made. During the second quarter, the Company continued to work on improving the availability of the mining contractor’s equipment. The extraction of the higher grade mineralization near surface by Orpailleurs (artisanal miners) negatively impacted production, however as mining progresses downwards the effect of this will disappear. In addition, better understanding of grade control and the mineralization from practical experience gained this year will potentially assist in improving the operating performance going forward.

Projected production to year end is now estimated at 55,000 ounces gold as compared to 66,000 ounces as previously forecast.

Updated Tabakoto Resource – May 19th, 2009

Since releasing the Segala zone resources in January 2009 (Measured and Indicated 4,001,000 tonnes @ 3.5 g/t Au and Inferred 4,072,000 tonnes @ 3.48 g/t Au) Avion has been modeling and evaluating the mineralized zones proximal to the historic Tabakoto pit, the newly discovered Dar Salam South zone and the Dioulafoundou zone. Highlights of the most recent estimates include:

- Open Pit Measured and Indicated mineral resource estimate of 4,136,000 tonnes grading 3.30 g/t Au totaling 439,300 ounces at a 1.0 g/t cut-off
- Open Pit Inferred mineral resource estimate of 2,527,000 tonnes grading 3.52 g/t Au totaling 285,900 ounces at a 1.0 g/t cut-off
- Underground Measured and Indicated mineral resource estimate of 2,685,000 tonnes grading 3.73 g/t Au totaling 321,800 ounces at a 2.0 g/t cut-off
- Underground Inferred mineral resource estimate of 3,386,000 tonnes grading 3.68 g/t Au totaling 400,500 ounces at a 2.0 g/t cut-off
- Avion's Measured and Indicated mineral resource including Segala at a 0.5 g/t Au Cut-off are 18.4 million tonnes grading 2.55 g/t Au and 1.51 million ounces of gold; inferred mineral resources including Segala at a 0.5 g/t Au Cut-off are 17.68 million tonnes grading 2.58 g/t Au for 1.47 million ounces Au

The Tabakoto pit area resources, which form the bulk of the above resource estimate, combines a series of mineralized structures along an approximate 1.8 km long part of the northerly-trending Tabakoto mineralized trend. These mineralized structures have been defined by drill data and geological mapping in the Tabakoto pit. Avion's next step will be to better define the mineralized structures with, drilling aimed at upgrading inferred resources to measured and indicated resources, and to further increase the resources on the property. To provide a guide to the strength of the mineralized system the charts in the next several pages present cut-off grades ranging from 0.5 g/t Au to 3.0 g/t Au.

Total project measured and indicated resources now comprise 18.44 million tonnes grading 2.55 g/t Au or some 1.51 million ounces Au at a 0.5 g/t Au cut-off. Total project inferred resources total 17.68 million tonnes grading 2.58 g/t Au at a 0.5 g/t Au cut-off. Note that there have been no studies which support a cut-off grade of 0.5 g/t Au and that these resources are only provided as an indication of the size of the mineralized system on the two properties. The mineral resources in the Tabakoto Pit area combine a series of northerly-, northeast- and northwest-trending zones and a series of shallow-dipping to flat-lying zones. The mineral resources for Dar Salam comprise three distinct mineralized zones. The Dioulafoundou inferred mineral resource is understood to be one northwest-trending mineralized body. Most of the zones are open down plunge and to a lesser extent along strike.

To develop the mineral resources presented herein the first step was to create 3-dimensional models of the mineralized zones. Once these mineralized domains were defined a statistical review of the drill hole intercept data was carried out to determine capping or top cut grades. This work indicated that assays in the Tabakoto Pit area should be cut to 32.0 g/t Au, those in the Dar Salam zones to 21.5 g/t Au and the zone at Dioulafoundou cut to 28.0 g/t Au. Assay grades were then composited into 2.0 metre intervals with resources calculated with a minimum 2.0 metre width with a variety of cut-offs. The assumptions used to determine open pit resources include the following: Ore mining = \$2.73/t mined, Waste mining = \$1.54/t mined, Processing = \$20/t milled, G&A = \$5/t milled, Au Price = \$825/oz and Process Recovery = 92%.

The assumptions used to determine underground resources include the following : Ore mining = \$25/t mined, Processing = \$20/t milled, G&A = \$5/t milled, Au Price = \$825/oz, Process recovery = 92%.

The newly developed resources were presented in a technical report that was filed on SEDAR under the profile of the Company.

Milko Rivera, P. Eng, a Qualified Person under NI 43-101, and Farshid Ghazanfari are responsible for the mineral resource estimates presented herein and have reviewed the scientific and technical information in this document relating to those estimates. Updated resource calculations at the Tabakoto Deposits were independently reviewed by Eugene Puritch, P.Eng. of P&E Mining Consultants Inc. (P&E) of Brampton, Ontario. P&E is of the opinion that the resource estimates were prepared in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) definition standards regarding Mineral Resources and Reserves; Mr. Puritch's work indicated that in general similar resource results were obtained while using the mineralized zones that Mr. Rivera and Mr. Ghazanfari defined along with the assistance of and review by Don Dudek, P.Geo., Vice President Exploration of Avion. Avion has not completed a feasibility study in regards to the resource presented herein and there is no certainty the proposed operations will be economically viable.

Mineral Resource Estimate Sensitivities (1)(2)(3)(4)(5)

Tabakoto Pit Area Open Pit Measured Resource Estimate (1)(2)(3)(4)(5)

Assay Cut-off	Tonnes	g/t Au	Ozs Au
1.0 g/t Cut-off	1,253,992	2.89	116,383
2.0 g/t Cut-off	693,667	4.07	90,878
3.0 g/t Cut-off	389,979	5.35	67,132

Tabakoto Pit Area Open Pit Indicated Resource Estimate (1)(2)(3)(4) (5)

Assay Cut-off	Tonnes	g/t Au	Ozs Au
1.0 g/t Cut-off	2,882,992	3.48	322,946
2.0 g/t Cut-off	1,813,301	4.69	273,246
3.0 g/t Cut-off	1,165,532	5.92	221,705

Tabakoto Pit Area Open Pit Inferred Resource Estimate (1)(2)(3)(4)(5)

Assay Cut-off	Tonnes	g/t Au	Ozs Au
1.0 g/t Cut-off	982,628	3.47	109,568
2.0 g/t Cut-off	651,492	4.48	93,810
3.0 g/t Cut-off	472,113	5.25	79,728

Tabakoto Underground Measured Resource Estimate (1)(2)(3)(4)(5)

Assay Cut-off	Tonnes	g/t Au	Ozs Au
2.0 g/t Cut-off	39,746	3.39	4,331
3.0 g/t Cut-off	15,975	4.95	2,540

Tabakoto Underground Indicated Resource Estimate (1)(2)(3)(4)(5)

Assay Cut-off	Tonnes	g/t Au	Ozs Au
2.0 g/t Cut-off	2,645,337	3.73	317,476
3.0 g/t Cut-off	1,340,154	5.01	215,830

Tabakoto Underground Inferred Resource Estimate (1)(2)(3)(4)(5)

Assay Cut-off	Tonnes	g/t Au	Ozs Au
2.0 g/t Cut-off	2,682,100	3.73	321,300
3.0 g/t Cut-off	1,431,979	4.90	225,439

Dar Salam Area Open Pit Inferred Resource Estimate (1)(2)(3)(4)(5)

Assay Cut-off	Tonnes	g/t Au	Ozs Au
1.0 g/t Cut-off	1,195,228	3.49	134,155
2.0 g/t Cut-off	901,396	4.15	120,346
3.0 g/t Cut-off	567,930	5.13	93,682

Dar Salam Area Underground Resource Estimate (1)(2)(3)(4)(5)

Assay Cut-off	Tonnes	g/t Au	Ozs Au
2.0 g/t Cut-off	601,965	3.35	64,785
3.0 g/t Cut-off	292,247	4.30	40,360

Dioulafoundou Open Pit Inferred Resource Estimate (1)(2)(3)(4)(5)

Assay Cut-off	Tonnes	g/t Au	Ozs Au
1.0 g/t Cut-off	349,296	3.76	42,177
2.0 g/t Cut-off	219,559	5.20	36,690
3.0 g/t Cut-off	181,703	5.75	33,563

Dioulafoundou Underground Inferred Resource Estimate (1)(2)(3)(4)(5)

Assay Cut-off	Tonnes	g/t Au	Ozs Au
2.0 g/t Cut-off	102,010	4.41	14,461
3.0 g/t Cut-off	54,401	6.11	10,680

Tabakoto Pit Area, Dar Salam and Dioulafoundou Open Pit & Underground M&I Resource Estimate (1)(2)(3)(4)(5)

Assay Cut-off	Tonnes	g/t Au	Ozs Au
0.5 g/t Cut-off	12,628,412	2.37	963,391
1.0 g/t Cut-off	9,678,520	2.86	891,254
2.0 g/t Cut-off	5,192,091	4.11	685,931
3.0 g/t Cut-off	2,911,639	5.42	507,207

- (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 of USD\$825 per ounce
- (3) Milko Rivera, P.Eng and Farshid Gazanfari independent consultants, Qualified Persons under NI 43-101, prepared the above 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 costs for the development of resource cut-off grades.
- (4) Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- (5) Estimates are as of May 17, 2009

Avion re-initiated exploration on the Tabakoto and Segala properties. The program will consist of a mix of diamond drilling (minimum 15,000 metres), RAB or RC drilling, trenching, soil sampling, ground magnetic surveys and mapping. Approximately 70% of the drilling will be focussed on the definition of existing zones with approximately 30% of the drilling dedicated to new targets and exploration concepts. The initial drill holes will further test the Segala Main zone to support underground mine planning and the Dar Salam zone where exploration in 2008 has delineated a new open pit mineral resource.

RESULTS OF OPERATIONS

For the three months ended June 30, 2009

The Company reported a net loss of \$663,982 (\$0.00 per share) for the three months ended June 30, 2009 compared to net loss of \$835,615 (\$0.03 per share) for the three months ended May 31, 2008.

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 preproduction 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 6,177 ounces of gold and generated \$6,754,104 in gold sales revenue. Mine and processing expenses were \$4,828,327, which includes \$256,354 in amortized deferred stripping costs, and the Company recorded amortization and depletion of \$709,280. The Company is amortizing deferred costs related to the Mali projects on a unit of production basis from the current mine plan over four years of 333,558 ounces. The Company is subject to an NSR of 9% on metal sales. Royalties totaled \$201,314 for the ounces of gold sold since commercial production commenced.

Corporate and administrative expenses for the quarter ended June 30, 2009 totalled \$1,226,237 compared to \$139,201 for the second quarter of 2008. All expense categories increased compared to the second quarter of 2008 as a result of an overall increase in Company activities. 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 communications and travel costs. The Company continues to share office space and other resources with companies with common directors and officers.

Non-cash stock based compensation expense for the current three month period was \$1,017,886 (Q2 2008: \$654,055) related to the estimated fair value of stock options that were granted and/or vested during the quarter. A total of 3,690,000 stock options (Q2 2008: 3,050,000) were granted to directors, officers, consultants and employees of the Company during the quarter. Stock based compensation was estimated using the Black-Scholes option pricing model.

During the current quarter, the Company incurred non-cash accretion expenses of \$107,114. As a result of retiring the US\$1,000,000 loan to Aberdeen discussed above, the remaining value of the warrants granted in connection with this loan was written off to accretion expense. As well, the Company recorded accretion expense related to the Company's asset retirement obligations acquired through the acquisition of the Mali projects. The Company incurred interest expense of approximately \$97,273 related to short-term debt owed to both Aberdeen and Dynamite, as previously discussed. During the comparative period, \$62,044 in interest expense was incurred on the Aberdeen loan. These debts carried an interest rate of 10% per annum. Future interest expenses related to these loans are not anticipated as the Aberdeen loan was retired in May 2009, and the loan to Dynamite is no longer payable as a result of the acquisition of Dynamite, previously disclosed.

The Company acquired approximately 9 million shares of Midlands Minerals Corporation during the quarter through the issuance of shares of the Company as well as cash payments. The Company does not hold significant influence. The Company has classified this investment as held-for-trading. As a result, an unrealized gain of \$133,890 was recognized during the quarter based on the fair market value of the shares as at June 30, 2009. No securities were held during the comparative quarter, and consequently no gains/losses were recognized.

The Company owed Aberdeen \$1,000,000 related to a property purchase agreement entered into during the prior year. In May 2009, the Company settled this liability with a payment of \$800,000. The difference was credited to the statement of operations, as the property was written off during the prior year. Other miscellaneous expenses with respect to this property were also incurred. During the comparative period, any costs related to the property would have been deferred.

The Company also incurred a foreign exchange translation gain of \$425,089 during the current quarter compared to a loss of \$4,898 during the comparative quarter.

For the seven months ended June 30, 2009

The Company reported a net loss of \$2,204,758 (\$0.02 per share) for the seven months ended June 30, 2009 compared to net loss of \$931,872 (\$0.04 per share) for the six months ended May 31, 2008.

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 preproduction 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 6,177 ounces of gold and generated \$6,754,104 in gold sales revenue. Mine and processing expenses were \$4,828,327, which includes \$256,354 in amortized deferred stripping costs, and the Company recorded amortization and depletion of \$709,280. Royalties totaled \$201,314 for the ounces of gold sold since commercial production commenced.

Corporate and administrative expenses for the seven months ended June 30, 2009 totalled \$1,815,391 compared to \$228,035 for the second quarter of 2008. All expense categories increased compared to the second quarter of 2008 as a result of an overall increase in Company activities. 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 communications and travel costs. The Company shares office space and other resources with companies with common directors and officers.

Non-cash stock based compensation expense for the current seven month period was \$1,220,300 (Q2 2008: \$654,055) related to the estimated fair value of stock options that were granted and/or vested during the quarter. A total of 4,440,000 stock options (May 31, 2008: 4,500,000) were granted to directors, officers, consultants and employees of the Company during the quarter. Stock based compensation was estimated using the Black-Scholes option pricing model.

During the current period, the Company incurred non-cash accretion expenses of \$270,446. The Company incurred interest expense of approximately \$422,810 related to short-term debt owing to both Aberdeen and Dynamite, as previously discussed. During the comparative period, \$69,356 in interest expense was incurred on the Aberdeen loan. These debts carried an interest rate of 10% per annum.

The Company incurred a foreign exchange translation gain of \$157,053 during the current period compared to a loss of \$4,898 during the comparative period.

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 \$
Q2-2009	June 30, 2009	6,772	(664)	(0.00)	4,380
Q1-2009	March 31, 2009 * four-month period	-	(1,541)	(0.02)	4,531
Q4-2008	November 30, 2008	-	(4,774)	(0.08)	4,408
Q3-2008	August 31, 2008	-	(1,139)	(0.02)	4,335
Q2-2008	May 31, 2008	-	(836)	(0.03)	4,264
Q1-2008	February 29, 2008	-	(96)	(0.01)	-
Q4-2007	November 30, 2007	-	(816)	(0.15)	-
Q3-2007	August 31, 2007	-	(52)	(0.01)	-

The Company commenced commercial production during Q2-2009 resulting in revenue from operations recognized during the period. 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. Fluctuations in the Company's expenditures reflect the seasonal variations of exploration, the level of corporate activity, and the ability of the Company to raise capital for its projects.

The loss during the quarter ending November 30, 2007 is primarily a result of a write off of \$701,052 in exploration expenditures related to the Iron Lake project. The loss during the quarter ending May 31, 2008 is a result of a non-cash stock based compensation expense of \$654,055 related to the issue of 3,050,000 stock options during the period. The loss recognized during the quarter ending August 31, 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 \$2,755,541 as a result of the write down of the Ethiopian projects, as well as a foreign exchange loss of \$1,057,449 on the US dollar debentures carried by the Company as at November 30, 2008. During the quarter ended March 31, 2009, the Company's loss is attributed to large interest & accretion expenses related to short-term debentures and the Company's asset retirement obligations.

The Company's long term debt consists of asset retirement obligations related to the Mali projects acquired at the end of May, 2008. The decrease during Q2-2009 resulted from foreign exchange fluctuations as the obligations are denominated in US dollars.

LIQUIDITY AND CAPITAL RESOURCES

As of the start of production, financing of operations is achieved primarily through metal sales. At June 30, 2009, the Company had \$7,836,574 in cash and working capital of \$13,852,909.

During the first quarter of 2009, the Company completed a private placement financing raising \$2,801,205 net of issue costs through the issuance of 37,500,000 units of the Company at a price of \$0.08 per unit. Each unit consists of one common share plus one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the

Company at a price of \$0.10 for a period of 18 months. A commission of \$178,800 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 \$0.08 expiring January 2010. An officer of the Company is also an officer of Delano Capital Corp.

Pursuant to the agreement to acquire the Mali Projects, the Company agreed to a US\$1,000,000 break fee if the transaction did not close before May 2008. To post the break fee, the Company borrowed US\$1,000,000 from Aberdeen International Inc., a company that has common directors and officers. This loan matured on September 30, 2008, incurring a 10% per annum interest rate, and was secured against the assets of the Company. The Company extended this debenture on September 30, 2008 to provide for a new maturity date of September 30, 2009. Interest of 10% was compounded monthly and payable semi-annually. 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 \$0.20 expiring one year from the date of issue. As well, the Company made two cash payments to Aberdeen of US\$25,000 at the signing of the extension agreement and in March 2009 in connection with the extension of this debenture. The Company settled this loan in full in Q2-2009.

A \$750,000 payment due to Aberdeen on June 30, 2008 related to the Ethiopian property acquisition was not paid by the deadline. In satisfaction for the amount owed, the Company entered into a debenture agreement due September 30, 2009, at a 10% per annum interest rate commencing July 1, 2008. This sum plus accrued interest was paid in full in Q2-2009.

The Company was also required to pay Aberdeen \$1,000,000 on December 31, 2008 in connection with the Ethiopian property acquisition. The Company settled this liability in Q2-2009 with a payment of \$800,000 plus accrued interest.

In October 2008, the Company entered into an agreement to sell 50% of its 80% interest in the Segala gold project located in Mali, West Africa to Dynamite. In consideration, Dynamite paid US\$5,000,000, which was initially provided to Avion as a short-term loan. Upon satisfaction of certain conditions precedent, the principle amount of the loan was to be applied as the purchase price for the transaction. Amounts outstanding under the loan accrued interest at a rate of 10% per year. With the acquisition of Dynamite during Q2-2009, this is no longer outstanding.

During the quarter, the Company acquired 8,581,000 common shares of Midlands Minerals Corporation ("Midlands") through the issuance of 4,290,500 common shares of the Company. As well the Company acquired an additional 517,500 common shares of Midlands for a cash payment of \$98,425. 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 Segala assets. Midlands' primary asset is the Sian and Kwahu Prasso projects in central Ghana.

During the comparative quarter, the Company raised \$27,416,494 net of share issue costs through the issuance of 60,100,000 units of the Company at a price of \$0.50 per unit. Each unit consisted of one common share of the Company plus one-half of one common share purchase warrant, each whole warrant exercisable into one common share of the Company at an exercise price of \$0.65 per share exercisable until May 8, 2011.

CASH FLOWS

For the quarter ended June 30, 2009

During the quarter ended June 30, 2009, operating activities provided \$4,556,545 in cash flows compared to \$435,670 during the second quarter of 2008. Operations generated approximately \$2,000,000 in cash during Q2-2009 while corporate and administrative expenses used approximately \$975,000 and non-cash working capital provided approximately \$3,500,000. During the comparative quarter, administrative expenses used approximately \$138,000 while non-cash working capital provided approximately \$580,000.

Cash from investing activities provided \$990,516 during Q2-2009 compared to the use of \$23,327,775 during Q2-2008. During the current period, the Company acquired net cash of \$8,846,512 through the acquisition of Dynamite. During the comparative quarter, the Company used \$22,742,661 to acquire the Mali projects. Expenditures on properties, plant and equipment used \$4,582,376 during the current quarter compared to \$288,445 during the comparative quarter. The Company recorded pre-production gold and silver sales of approximately US\$2,700,000 (CDN\$3,100,000) during Q2-2009 which reduced expenditures on properties, plant and equipment (Q2-2008: \$nil). The Company commenced commercial production on May 1, 2009, and as a result, gold sales from April were considered pre-production revenue. The decrease in accounts payable related to properties, plant and equipment used \$3,167,420 for the current quarter under review compared to \$296,669 for the comparable quarter. The Company acquired security investments during Q2-2009 for net cash proceeds of \$106,200 (Q2-2008: \$nil).

Financing activities used \$38,125 during the current quarter compared to providing \$28,684,694 during the comparative quarter. The exercise of warrants and options generated \$715,575 in cash for Q2-2009 compared to \$14,500 during Q3-2008. As well, the Company raised \$27,416,494 from a private placement financing and collected \$259,500 in subscriptions receivable during the comparative quarter. The Company retired debt through the use of \$753,700 in cash during Q2-2009 compared to acquiring debt providing \$994,200 in cash during the comparative quarter.

For the seven months ended June 30, 2009

During the period ended June 30, 2009, operating activities provided \$578,596 in cash flows compared to \$195,867 during the comparative six month period of 2008. Operations generated approximately \$2,000,000 in cash during Q2-2009 while administrative expenses used approximately \$2,100,000 and non-cash working capital provided approximately \$680,000. During the comparative period, administrative expenses used approximately \$234,000 while non-cash working capital provided \$430,000.

Cash from investing activities provided \$999,649 during the seven month period in 2009 compared to the use of \$24,176,386 during the comparative six months of 2008. During the current period, the Company acquired net cash of \$8,846,512 through the acquisition of Dynamite. During the comparative period, the Company used \$22,742,661 to acquire the Mali projects. Expenditures on the properties, plant and equipment used \$6,674,427 during the current period compared to \$1,482,272 during the comparative period. The Company recorded pre-production gold and silver sales of approximately US\$7,200,000 million (CDN\$8,500,000) during the current period which reduced expenditures on properties, plant and equipment (June 30, 2008: \$nil). The Company commenced commercial production on May 1, 2009, and as a result gold sales up until that point were considered pre-production revenue. The decrease in accounts payable related to property, plant and equipment used \$1,066,236 for the current

period under review compared to \$71,153 for the comparable period. The Company acquired security investments during the period for net cash proceeds of \$106,200 (Q2-2008: \$nil).

Financing activities provided \$2,763,080 during the seven months ended June 20, 2009 compared to providing \$29,265,940 during the comparative six month period. The Company raised \$2,801,205 net of issue costs through private placements during the current period compared to \$27,695,240 for the same period in 2008. The exercise of warrants and options generated \$715,575 in cash for year-to-date 2009 compared to \$14,500 for year-to-date 2008. As well, the Company collected \$562,000 in subscriptions receivable during the comparative period. The Company retired debt through the use of \$753,700 in cash compared to acquiring debt providing \$994,200 in cash during the comparative quarter.

TRANSACTIONS WITH RELATED PARTIES

The Company was charged \$15,000 and \$35,000 during the three and seven months ended June 30, 2009 respectively (Q2 2008 and May 31, 2008: \$nil) for administrative fees charged by a company 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 proportional share of the expenses. Included in accounts payable and accrued liabilities at June 30, 2009 is \$nil (May 31, 2008: \$45,796) owing to such companies. The Company has advanced \$195,113 for these related companies as at June 30, 2009 (May 31, 2008: \$nil). These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Aberdeen owns more than 10% of the issued and outstanding shares of the Company. As well, the Company and Aberdeen share common directors. The Company entered into an agreement to purchase properties in Ethiopia from Aberdeen, as well as a debenture agreement with Aberdeen.

The Company and Dynamite share a common director and a common officer. The Company acquired all of the issued and outstanding shares of Dynamite during the second quarter. See Note 4. 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 for the Company.

An officer of the Company is also an officer of Delano Capital Corp.

During the comparative period, the Company paid \$1,000,000 to a company controlled by a director of the Company as a bonus for services provided to the Company in relation to the acquisition of the Mali Projects.

DIRECTORS AND OFFICERS COMPENSATION

Effective September 15, 2008, the Company entered into a consulting agreement with John Begeman, pursuant to which Mr. Begeman agreed to provide management services to the Company in the capacity of President and Chief Executive Officer. This agreement was amended such that Mr. Begeman is entitled to US\$25,000 per month in compensation for his

services. In the event of a change of control, Mr. Begeman is entitled to the equivalent of 36 months in base fees.

Effective June 1, 2008, the Company entered into a consulting agreement with Gregory Duras pursuant to which Mr. Duras agreed to provide management services to the Company in the capacity of Chief Financial Officer. This agreement was amended during the quarter such that Mr. Duras' monthly compensation increased to \$6,000 per month. Subsequent to the end of the quarter, Mr. Duras' monthly compensation increased to \$12,750 as he devotes more of his time to the Company. As well, in the event of a change of control, Mr. Duras is entitled to the equivalent of 24 months in base fees.

Effective May 1, 2009, the Company has amended its consulting agreement with Andrew Bradfield, whereby Mr. Bradfield's monthly compensation has increased to \$18,750 per month as he allocates 100% of his time to the Company. As well, in the event of a change of control, Mr. Bradfield is entitled to the equivalent of 24 months in base fees.

Other management contract changes that occurred subsequent to the end of the quarter include change of control provisions for the Chairman of the Board, Mr. Stan Bharti; the Vice President of Exploration, Mr. Don Dudek and the Corporate Secretary, Ms. Brianna Davies.

For the three and seven months ended June 30, 2009, the Company was charged \$33,000 and \$53,000 respectively for consulting and special committee fees (Q2-2008: \$501,667; May 31, 2008: 531,667) by directors or by companies controlled by directors of the Company. The Company was charged \$254,460 and \$526,240 respectively for consulting fees for the three and seven months ended June 30, 2009 (Q2-2008: \$258,893; May 31, 2008: \$261,893) by officers of the Company. The Company accrued \$426,500 in bonuses during the quarter granted to directors and officers of the Company in relation to the milestones achieved during the quarter, specifically the commencement of commercial production and the acquisition of Dynamite.

SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares of which 210,595,009 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, 23,263,500 options (including broker compensation options) are outstanding at exercise prices ranging from \$0.08 to \$1.07 expiring between October 1, 2009 and July 31, 2014.

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

Expiry Date	Exercise Price (\$)	Warrants Outstanding
October 12, 2009	0.29	9,899,996
December 19, 2009	0.36	1,111,111
May 8, 2011	0.65	30,050,000
July 12, 2010	0.10	11,011,750
September 20, 2009	0.20	2,000,000
		54,072,857

Avion has no performance shares or escrow shares.

SUBSEQUENT EVENTS

A total of 937,500 warrants were exercised subsequent to June 30, 2009 at an exercise price of \$0.10 for gross proceeds of \$93,750.

Subsequent to June 30, 2009, 210,000 stock options were granted at an exercise price of \$0.315 expiring 5 years from the date of grant. As well, 103,750 options were forfeited.

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.

Please refer to the Company's Management Information Circular filed on April 22, 2009 for the year ended November 30, 2008, as well as the most recent Annual Information Form filed on SEDAR for the year ended November 30, 2008.

COMMITMENTS

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$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 \$870,000.

The Company is contracted to purchase fuel as required, however if the contract was terminated, the Company would be obligated to pay the net book value of the facilities, valued at approximately US\$1,350,000 at June 30, 2009.

The Company has received a tax assessment from the Malian government for FCFA 1,303,558,366 (approximately \$3,260,000) covering periods prior to the acquisition of the Mali Projects by the Company which are under representations made by the vendor of the Mali Projects. 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 there of, will have a material effect on the financial

condition or future results of operations. The Company has recorded a provision of \$820,448 in relation to these legal matters.

SIGNIFICANT ACCOUNTING POLICIES

Except as disclosed below, the interim 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 Financial Statements for the period ended November 30, 2008.

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, in-process precious metals, stockpiled ore, and spare parts and supplies. Inventory is valued at the lower of average production costs or net realizable value. Production costs 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 at the time of sale based on prevailing and long-term metal prices 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 production cost of finished goods represents the average cost of in-process inventories incurred prior to the refining process, plus applicable refining costs and associated royalties

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 proven and probable reserves or amortized over the expected useful life of the asset based on measured and indicated resources. 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. If mining properties, plant and equipment is subsequently determined to be significantly impaired in value, the carrying values are written down to their net realizable value. Other general exploration expenses are charged to operations as incurred. Where the 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 attain 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 units of production method. As at June 30, 2009 the balance of deferred stripping costs of approximately \$4.75 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.

New accounting pronouncements

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 Company is currently in the process of evaluating the impact of this standard.

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.

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.

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.

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 Entity 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;
- Developing revised internal control processes, including updating the key controls for NI 52-109 purposes.
- All phases are expected to be completed by December of 2009 in order to facilitate comparative reporting for the first quarter of 2010.

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 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 has entered into production and has begun to generate cash flows to support its 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 changes in the Company's approach to capital management during the seven-month period ended June 30, 2009.

FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to amounts receivable and fuel duty recoverable. The Company has no significant concentration of credit risk arising from operations. 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. Management believes that the credit risk with respect to these financial instruments is low. There is no formal offset agreement with the Malian Government, but the Government has not rejected the offsets to date.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2009, the Company had a cash and cash equivalents balance of \$7,836,574 (November 30, 2008 - \$3,495,249) to settle current liabilities of \$10,377,647 (November 30, 2008 - \$11,737,460). Approximately \$8,500,000 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 balances at June 30, 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.

Foreign currency risk

The Company's functional currency is the Canadian dollar. The Company funds certain operations, exploration and administrative expenses in Africa on a cash-call basis using the CFA Francs ("FCFA") and the Euro currencies, converted from its Canadian dollar bank accounts. The Company's Malian subsidiaries operate in FCFA for which Malian banks offer a floating rate of exchange with the Euro. As well, gold sales are denominated in US dollars. Management does not hedge its foreign exchange risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity 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 receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, 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 investment in a private mineral exploration company is measured at cost as the investment does not have a quoted market price in an active market.

As at June 30, 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

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period.

As a result of the Company's activities in Mali, the Company is exposed to foreign exchange risk. The Company's functional currency is the Canadian Dollar. The Company is exposed to currency risk on settlements of purchases that were denominated in currencies other than the functional currency. The currency exposures are primarily to the United States Dollar (USD), Euro (EURO), West African CFA Franc (FCFA) and the South African Rand (ZAR).

The Company commenced commercial gold production during the quarter. As a result, fluctuations in the price of gold, and to a lesser degree, the price of silver, could affect the results of operations. The Company currently does not hedge its future gold sales.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's 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 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 or expensed, and estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock based compensation and the valuation of 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

Don Dudek, P.Geo. Avion's Senior VP Exploration and Director is the Qualified Person for this MD&A as defined under National Instrument 43-101 and is responsible for the technical and scientific work carried out and has reviewed and approved the 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 Segala 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 1,820 tonnes per day, which is higher than the 1,720

tonnes per day planned. Avion continues to expect that it will meet its revised targeted 2009 production of 55,000 ounces of gold.

Avion's exploration on the property has a goal of adding to the current resource base and extending the mine plan beyond the currently contemplated four year mine life.

August 24, 2009