

**AVION RESOURCES CORP.**  
(A Development Stage Company)

***Management's  
Discussion &  
Analysis***

***for the four months ended  
March 31, 2009  
and the three months ended  
February 29, 2008***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **For the Four Months Ended March 31, 2009**

#### **General**

This management's discussion and analysis ("MD&A") has been prepared based on information available to Avion Resources Corp. ("we", "our", "us", "Avion", or the "Company") as of March 31, 2009. The MD&A provides a detailed analysis of the Company's business and compares its financial results with those of the previous year and should be read in conjunction with the unaudited interim consolidated financial statements and notes for the four-month quarter ended March 31, 2009, as well as the 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](http://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 four month quarter ending March 31, 2009 instead of a three month quarter ending February 28, 2009. The comparative period report is for the three month months ended February 29, 2008.

References to the first quarter of 2009 or Q1-2009 and the first quarter of 2008 or Q1-2008 refer to the four months ended March 31, 2009 and the three months ended February 29, 2008 respectively.

Unless otherwise noted, this MD&A reports our activities through May 26, 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 producer and exploration and development company focused on strategic acquisitions 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 is 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

## **Q1-2009 HIGHLIGHTS**

During the four month period ended March 31, 2009 the following significant activities occurred:

- Prepared and published an NI43-101 technical report that supports a four year mine plan
- Developed and commenced implementation of the above new mine plan
- Restarted the gold processing plant on Feb.17, 2009
- Avion produced 6,211 ounces of gold to the end of March, 2009 which is approximately 1,013 ounces ahead of plan
- Avion subsequently acquired Dynamite Resources Ltd. and regained its 80% interest in the Segala deposit in Mali
- Avion subsequently released an updated mineral resource which indicated a 169% increase in measured and indicated resources and a 152% increase in inferred resources.

## **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 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. This loan matured on September 30, 2008, incurred a 10% per annum interest rate, and was secured against the assets of the Company. As consideration for the loan, the Company issued 250,000 share purchase warrants to Aberdeen, where each warrant entitles Aberdeen to acquire one common share of the Company at a price of \$0.38 for a period of 6 months from the date of issue. Avion subsequently negotiated an extension on repayment of the loan to September 30, 2009. In conjunction with the extension of the loan, the parties agreed that the principal owing shall increase 30% for each \$100 incremental increase in the price of gold above US\$900, based on the twelve (12) month average of the closing price of the London PM fix, to be calculated on a monthly, pro-rated basis, beginning on October 31, 2008. Avion also agreed to pay 10% interest, provide Aberdeen 2,000,000 share purchase warrants with an exercise price of \$0.20 and pay a loan extension fee of \$25,000 on October 31<sup>st</sup>, 2009 and an additional fee of \$25,000 on March 31, 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 shareholders receiving dividends.

Avion announced on October 9, 2008 that it had entered into an agreement to sell 50% of its interest in the Segala gold project located in Mali, West Africa to Dynamite Resources Ltd. ("Dynamite"). In consideration for acquiring a 40% interest in Segala, Dynamite a Canadian junior mining company, agreed to pay US\$5 million. This amount was to be provided to Avion as a short-term loan. Upon satisfaction of certain conditions precedent, the principal amount of the loan would be applied as the purchase price

In February 2009, the Company signed a letter agreement with Dynamite whereby the Company will acquire all of the outstanding common shares of Dynamite in exchange for common shares of the Company. Each Dynamite common share will be exchanged for 0.75 of the Company's shares. Each outstanding Dynamite convertible security will be exercisable for common shares of the Company based on this same ratio. Prior to the closing of this acquisition, Dynamite will undertake to dispose of all or a portion of its interests in its Mike Lake project and its Kyrgyzstan assets with proceeds of disposition, up to a deemed realized aggregate value of \$2,500,000, for the sole benefit of Dynamite shareholders. Upon completion of the transaction, Dynamite shareholders will own approximately 40% of the Company. This transaction is subject to an adjustment provision, regulatory approvals, court approval and requisite Dynamite shareholder approval. Dynamite has agreed to pay a break fee of \$650,000 to the Company in certain circumstances and has granted the Company the right to match competing offers. A definitive agreement was entered into between Dynamite and Avion on March 18, 2009. The transaction closed subsequent to the end of the quarter in May 2009.

## **Exploration Review**

### Tabakoto and Segala Projects, Mali

Avion completed a 15,341 metre 79 hole exploration and site evaluation program. The drill program was designed to build on and confirm previous resource estimates at Segala and Tabakoto, discover additional zones and to delineate a new geological model for the deposits. An updated resource estimate for the Segala and, in part, Tabakoto gold projects was produced in Q4 2008 along with a scoping study. This scoping study was subsequently updated internally in February, 2009 as more updated cost data became available. An updated resource for Tabakoto was released in early May, 2009.

In December 2008, the Company Measured and Indicated mineral resources on the Tabakoto and Segala properties of approximately 4,338,000 tonnes grading 3.50 g/t Au totalling 489,000 ounces of gold and an additional Inferred mineral resource estimate of 4,072,000 tonnes grading 3.46 g/t Au totalling a further 452,600 ounces.

**2008 Segala and Partial Tabakoto Resource studies**

**Segala Open Pit Resource Estimate @ 1.4 g/t Au Cut-Off Grade (1)(2)(3)(4)**

<b>Classification</b>	<b>Tonnes</b>	<b>Au (g/t)</b>	<b>Au (oz)</b>
Measured	17,000	2.65	1,500
Indicated	1,506,000	2.65	128,200
<b>Measured &amp; Indicated</b>	<b>1,523,000</b>	<b>2.65</b>	<b>129,700</b>
Inferred	3,000	2.91	300

**Segala Underground Resource Estimate @ 2.0 g/t Au Cut-Off Grade (1)(2)(3)(4)**

<b>Classification</b>	<b>Tonnes</b>	<b>Au (g/t)</b>	<b>Au (oz)</b>
Measured	4,000	4.43	600
Indicated	2,474,000	4.02	319,900
<b>Measured &amp; Indicated</b>	<b>2,478,000</b>	<b>4.02</b>	<b>320,500</b>
Inferred	4,069,000	3.46	452,300

**Tabakoto Open Pit Resource Estimate @ 1.4 g/t Au Cut-Off Grade (1)(2)(3)(4)**

<b>Classification</b>	<b>Tonnes</b>	<b>Au (g/t)</b>	<b>Au (oz)</b>
Measured	35,000	4.63	5,200
Indicated	302,000	3.45	33,600
<b>Measured &amp; Indicated</b>	<b>337,000</b>	<b>3.58</b>	<b>38,800</b>

**Total Tabakoto & Segala Resource Estimate (1)(2)(3)(4)**

<b>Classification</b>	<b>Tonnes</b>	<b>Au (g/t)</b>	<b>Au (oz)</b>
Measured	56,000	4.01	7,300
Indicated	4,282,000	3.50	481,700
<b>Measured &amp; Indicated</b>	<b>4,338,000</b>	<b>3.50</b>	<b>489,000</b>
Inferred	4,072,000	3.46	452,600

- (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 are as of December 2008 and are based on a gold price of USD\$750 per ounce
- (3) Eugene Puritch, P. Eng. and Antoine Yassa, P. Geo. of P&E Mining Consultants Inc., Qualified Persons under NI 43-101, prepared the above mineral resource estimates, and have reviewed the technical disclosure herein relating to the resource estimates.
- (4) Mineral resources that are not mineral reserves do not have demonstrated economic viability.

## ***Segala and Tabakoto December 2008 Scoping Study Results***

The Company projected that the new plan could provide approximately US\$10.34 million in free cash flow in 2009 on a project basis with a cumulative estimated free cash flow of approximately US\$ 60.37 million over the four year plan based on a US\$750/ounce gold price and including the capital required to initiate underground production. In total, the scoping plan indicates that over the four year period, Avion could produce 320,000 ounces of gold at an estimated life of project cash cost of US\$467/oz. In the above scenario Avion estimates the following:

- Capital costs as of Jan.1, 2009 of US\$ 4.5 million funded by an operating loan with working capital to be sourced as deemed appropriate
- Mining rates varying from 2,070 at start-up to 2,466 tonnes per day for both open pit and underground at full production
- Gold recoveries of 90% with a conventional gravity/CIL plant with 65% of gold recovered by gravity
- Open pit ore recoveries of 95% and underground ore recoveries of 85% with dilution varying from 0 g/t Au to 0.6 g/t Au dependent on the plan for that part of the mineral resource
- All environmental and mining permits are currently in place
- Underground mechanized long hole retreat mining will commence in Q4 2010
- Underground equipment will be leased

In conjunction with mining Avion would endeavour to complete sufficient drilling to support the conversion of Inferred resources to Measured and Indicated resources and thus potentially extend the projected life of the plan presented in the scoping study.

The newly developed resources and scoping study is presented in a technical report that has been filed on under the profile of the Company on SEDAR.

### ***Updated Segala Mine Plan***

Highlights of the updated mine plan include:

- Redesign of the Segala open pits to reduce waste stripping ratios, and increase the resource tonnage mined. Different ramp designs and wall configurations have been engineered. The open pit production schedule has been refined with detailed pushback designs.
- Reduction in the amount of lower grade stockpile resource scheduled to the process plant.
- Lower open pit mining contracted operating costs and equipment mobilization costs.
- Reduction in explosives costs.
- USD1.0 million savings in start-up capital expenditures.

Underground mining as contemplated in the recent NI 43-101 report remains essentially the same with the exception of a slight reduction in mineral resources due to increased tonnage mined by open pit. Two consulting firms have been hired to further study underground mining and geotechnical aspects at Segala. A new resource model, which will focus on developing the underground mining potential, is being developed for the Tabakoto deposit. Exploration drilling at Tabakoto has intersected numerous gold mineralized zones that display sufficient grades and widths to potentially support an underground mining operation. Avion is optimistic that this opportunity will provide future growth for the company.

A table that compares key aspects of the updated plan completed in February, 2009 to the plan in the NI 43-101 report dated January 2009, is presented below. Both plans are based on a gold price of USD750/oz.

			2009	2010	2011	2012	TOTAL
Recovered Oz Au	oz	Jan. Plan Feb. Plan	66,000 66,000	72,000 79,000	96,000 87,000	86,000 101,000	320,000 333,000
Operating Cost per Oz Au	US\$/oz	Jan. Plan Feb. Plan	493 505	553 462	418 449	431 395	467 447
Estimated Net Cash Flow	US\$ millions	Jan. Plan Feb. Plan	10.3 10.7	8.7 17.1	22.7 17.6	18.7 26.0	60.4 71.4

### **Segala Area Drilling**

A total of 26 holes were drilled in the Segala area during 2008. This work confirmed the grade and the continuity of the Segala zone, resulted in the discovery of a new zone of gold mineralization (along Segala Far NW trend), located approximately 600 metres northwest of the Segala deposit, and the development of numerous exploration targets. Hole S-08-19, which tested a 145 metre, on-section gap in the Segala Zone, returned 2.72 g/t Au over 73.5 metres core length (~ 41.4 metres true width). This new intercept is consistent with historic drill intercepts for the Segala zone, along a 300 m strike from 50 metres to 450 metres depth that returned from 1.96 g/t Au to 8.72 g/t Au over true widths of 9.0 metres to 43.5 metres. Intercepts that lie along same 25 metre wide section as hole S-08-19 are listed below.

Hole	From (m)	To (m)	Drilled Width (m)	Estimated True Width (m)	Au (g/t)
S-08-19	167.0	240.5	73.5	41.4	2.72
incl.	183.0	215.0	32.0	18.0	4.33
SRC-365*	34.5	60		25.0	5.11
S-125*	83.5	98.5		15	2.49
SD94-4*	102.1	121.2		19.1	6.10
S-123*	134.5	178.0		43.5	3.84
SD96-08*	298.9	316.8		17.9	8.72
SD97-42*	440.3	466.3		15.4	3.68

\* Historic drill intercepts on section 259900 (+- 12.5 metres)

Hole S-08-13, which returned 0.86 g/t Au over 60 metres core length (including 2.6 g/t Au over 12.0 metres core length), is located in the Segala Far NW area of the Segala property and is situated approximately 180 metres from Hole S-08-08 (existing Segala deposit), which returned 10.5 metres of 8.51 g/t Au previously (For more information on Hole S-08-08, refer to news release dated August 21, 2008.) These intercepts, with no drill holes between, suggest the potential for a new mineable zone, and future drilling will be planned to further test the potential of the area.

### ***Tabakoto Area Drilling***

Results from the Tabakoto area, located approximately 5 kilometres from the Segala deposit, also returned positive results. In total, 29 holes were drilled at Tabakoto in 2008, with significant assay results returned from 21 of the 29 holes as presented above. These results indicate the presence of several mineralized zones which could be exploited by both surface and underground mining methods.

Holes T-08-02 to T-08-05, T-08-23 to T-08-26 were drilled to test a NW-trending structure that cuts the north end of the Tabakoto pit. These intercepts indicate the presence of a NW mineralized structure that locally has high gold grades. Avion is in the process of evaluating the grade and continuity of this structural trend.

Holes T-08-06 to T-08-13 were drilled to test the northward continuation of the Tabakoto mineralized trend. The near-surface intercepts in holes T-08-07, T-08-08 and T-08-09 appear to form a coherent 75+ metre long zone of potentially open-pittable mineralization starting 50 metres north of the northern edge of the Tabakoto pit.

Holes T-08-12 and T-08-13 were drilled to further test the northern extension of the Tabakoto trend some 250 metres and 450 metres north of the edge of the Tabakoto pit, respectively and ~500 metres south of previously reported (on August 21st, 2008), hole DS-08-01 which returned 13.56 g/t (5.49 g/t cut) over 22.5 metres.

Holes T-08-16 to T-08-20 and T-08-27 to T-08-29 were drilled to test northeast-trending mineralized structures in the Tabakoto pit area. All but one of these holes intersected significant mineralization with best intercept returning 37.12 g/t Au over 7.7 metre core length. These structures are the subject of a current updated mineral resource study due at the end of April, 2009.

### ***Other Targets Areas***

Twenty-two additional holes were drilled to test targets situated near the Segala and Tabakoto deposits. These targets included Dar Salam (8 holes), Dioulafoundou (4 holes), Famakan (2 holes), Moralia area (6 holes) and a soil anomaly area identified earlier this season (2 holes). Hole DS-08-01, which tested the Dar Salam zone, returned 13.56 g/t gold (Au) over 22.5 metres core length from 40.5 to 64.5 metres hole depth and 20.80 g/t Au over 4.9 metres core length from 86.1 to 91.0 metres hole depth. Note there is not enough information to estimate the true widths of the drill intercepts. Hole DS-08-01, which is shallow enough to represent potentially open pittable material, is located approximately 800 metres northeast of the Tabakoto pit, on the northward continuation of the mineralized Tabakoto trend. The hole was drilled 35 metres above a previous intercept that returned 16.05 g/t Au over 3.0 metres core length. Three holes (DS-08-06, 07 and 08) were drilled to trace this mineralization both along strike and to depth. Drilling returned significant widths and grades in this area; more drilling and sampling will be carried out in anticipation of calculating a resource. This zone has been traced for 75 metres along strike with the shallow, potentially open-pittable material being 40 metres wide.

The Dioulafoundou area was tested with three holes along a 600 metre portion of the target area. All three holes intersected significant gold values with hole D-08-03 returning 10.96 g/t Au over 6.0 metres; this hole is part of a 300 metre long, northwest-trending, shallow to moderate northwest plunging open ended zone of gold mineralization that averages 5.5 metres true width

with an average grade of 7.5 g/t Au. This zone will also be the subject of an undated resource study expected for end of April, 2009.

### **Gold Clean-up from Plant**

Since August, 2008 to December, 2008 approximately 2,000 ozs of gold have been, retrieved from 20 areas in the mill and plant. Revenue from the sale of the product of the gold pour was used to offset the project maintenance costs as Avion moved forward to production.

### **Mining Operation Review**

In February 2009, the Company completed an updated mine plan. The plan has been further studied and optimized to reduce operating costs and increase revenue and net cash flow as compared to the plan completed in January 2009.

Highlights of the February 2009 mine plan are as follows:

- Redesign of the Segala open pits to reduce waste stripping ratios and increase the resource tonnage mined
- Different ramp designs and wall configurations have been engineered.
- The open pit production schedule has been refined with detailed pushback designs
- Reduction in the amount of lower grade stockpile resource scheduled to the process plant
- Lower open pit mining contracted operating costs and mobilization costs
- Reduction in explosive costs
- US\$1.0 million in expected savings on start-up capital expenditures

A new resource model, which will focus on developing the underground mining potential is being developed for the Tabokoto deposit.

### **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 is approximately 1,013 ounces ahead of plan. Cash cost per ounce of gold for the year are projected to be US\$ 505 per ounce.

### **Subsequent Event – Commercial Production Achieved – May 1, 2009**

Avion announced that as of May 1, 2009 it has 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 30<sup>th</sup>, the company has:

- 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.
- dramatically 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, and looks forward to building a long relationship in developing capacity in Mali.

### **Subsequent Event – Updated Tabakoto Resource – May 19<sup>th</sup> , 2009**

Since releasing the Ségala 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 (see attached figure). 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 at the end of this document present cut-off grades ranging from 0.5 g/t Au to 3.0 g/t Au. The resource study was prepared by Milko Rivera, P. Eng. and Farshid Ghazanfari, G.I.T. with a third party review and initial open pit versus underground mining reviews carried out by Eugene Puritch, P.Eng. of P&E Mining Consultants. Inc..

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 is

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. Details of the resources are presented at the end of the release.

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 as presented in this release. 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 will be presented in a technical report that will be filed on under the profile of the Company on SEDAR within 45 days of this news release.

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 resources that are not mineral reserves do not have demonstrated economic viability.

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

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

<b>Assay Cut-off</b>	<b>Tonnes</b>	<b>g/t Au</b>	<b>Ozs Au</b>
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)**

<b>Assay Cut-off</b>	<b>Tonnes</b>	<b>g/t Au</b>	<b>Ozs Au</b>
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)**

<b>Assay Cut-off</b>	<b>Tonnes</b>	<b>g/t Au</b>	<b>Ozs Au</b>
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)**

<b>Assay Cut-off</b>	<b>Tonnes</b>	<b>g/t Au</b>	<b>Ozs Au</b>
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)**

<b>Assay Cut-off</b>	<b>Tonnes</b>	<b>g/t Au</b>	<b>Ozs Au</b>
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)**

<b>Assay Cut-off</b>	<b>Tonnes</b>	<b>g/t Au</b>	<b>Ozs Au</b>
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)**

<b>Assay Cut-off</b>	<b>Tonnes</b>	<b>g/t Au</b>	<b>Ozs Au</b>
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)**

<b>Assay Cut-off</b>	<b>Tonnes</b>	<b>g/t Au</b>	<b>Ozs Au</b>
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)**

<b>Assay Cut-off</b>	<b>Tonnes</b>	<b>g/t Au</b>	<b>Ozs Au</b>
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)**

<b>Assay Cut-off</b>	<b>Tonnes</b>	<b>g/t Au</b>	<b>Ozs Au</b>
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)**

<b>Assay Cut-off</b>	<b>Tonnes</b>	<b>g/t Au</b>	<b>Ozs Au</b>
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 as of May 17, 2009

## **Subsequent Event – May, 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 four months ended March 31, 2009

The Company reported a net loss of \$1,540,776 (\$0.02 per share) for the four months ended March 31, 2009 compared to net loss of \$96,257 (\$0.01 per share) for the three months ended February 29, 2008.

The Company was in pre-production as at March 31, 2009. Any preproduction revenues along with expenses associated with these revenues are recorded against the deferred project costs.

Administrative expenses for the quarter ended March 31, 2009 totalled \$791,598 compared to \$88,834 for the first quarter of 2008.

Included in consulting and management costs is a non-cash stock based compensation expense of \$202,414 (Q1 2008: \$nil) for the quarter ended March 31, 2009 related to the estimated fair value of stock options that were granted and/or vested during the quarter. A total of 750,000 stock options were granted to a newly appointed officer of the Company during the quarter. Stock based compensation was estimated using the Black-Scholes option pricing model.

On a monthly basis, net of stock based compensation, the Company averaged approximately \$147,000 in administrative costs during Q1-2009 compared to \$29,000 during Q1-2008. Almost all expense categories increased compared to the first 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 participated in a European road show during March 2009 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. Includes in these costs is leasehold improvement charges on the shared office space contributing to the higher office and general costs.

During the current quarter, the Company incurred non-cash accretion expenses of \$155,309. Accretion of \$32,094 was recorded on the estimated fair value of warrants granted to Aberdeen as compensation for extending the US\$1,000,000 loan discussed above. As well, the Company recorded \$123,215 in 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 \$293,000 related to short-term debt owing to both Aberdeen and Dynamite, as previously discussed. These debts carry an interest rate of 10% per annum. As well, the Company paid a fee of US\$25,000 (CDN\$32,345) in March 2009 related to the extension fee on the Aberdeen debenture.

The Company recorded a recovery of general exploration expenses during the four month period ending March 31, 2009 as a result of reversed accruals relating to the former Ethiopian properties. During the comparative quarter, the Company incurred costs of \$4,448 related to another former property.

## SUMMARY OF QUARTERLY RESULTS

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

	Revenue \$	Income (Loss) \$	Income (Loss) per share \$	Long Term Debt \$
March 31, 2009 * four-month period	-	(1,540,776)	(0.02)	4,531
November 30, 2008	-	(4,773,855)	(0.08)	4,408
August 31, 2008	-	(1,139,336)	(0.02)	4,335
May 31, 2008	-	(835,615)	(0.03)	4,264
February 29, 2008	-	(96,257)	(0.01)	-
November 30, 2007	-	(815,671)	(0.15)	-
August 31, 2007	-	(51,773)	(0.01)	-
May 31, 2007	-	49,289	0.01	-
February 28, 2007	-	(17,963)	(0.00)	-

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. It is important to note that the net income in the quarter ending May 31, 2007 is a result of an accounting policy that requires the Company to record a reduction in share capital for the tax effect of expenditures renounced and if available, record a recovery in recognition of previously unrecorded future income tax assets. The Company did not have income from operations as at March 31, 2009.

The large 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 large 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 at November 30, 2008. During 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.

## LIQUIDITY AND CAPITAL RESOURCES

Financing of operations is achieved primarily by issuing share capital. At March 31, 2009, the Company had \$2,327,638 in cash and a working capital deficit of \$299,824.

During the quarter, 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 6% or \$178,800 was paid as a result of this financing.

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% is compounded monthly and payable semi-annually. The principal increases 30% for each \$100 incremental increase in the price of gold above US\$900, based on the twelve month average of closing prices of the London PM fixings. As compensation for the renewal, the Company agreed to issue to Aberdeen, subject to regulatory approval, 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. The Company received regulatory approval during the current quarter, and as a result these warrants were issued. 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. Subsequent to the end of the quarter, the Company settled this debt with Aberdeen.

A \$750,000 payment due to Aberdeen on June 30, 2008 related to the Ethiopian property acquisition was not paid. 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. As well, the principal will increase 30% for each \$100 incremental increase (pro rata) in the price of gold above US\$900, based on the twelve month average of the close price on the London PM fix. This amount plus accrued interest was paid subsequent to the end of the quarter.

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 subsequent to the end of the quarter 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 Resources Inc. ("Dynamite"). In consideration, Dynamite has paid US\$5 million, which is to be provided to Avion as a short-term loan. Upon satisfaction of certain conditions precedent, the principle amount of the loan shall be applied as the purchase price for the transaction. Amounts outstanding under the loan shall accrue interest at a rate of 10% per year. The loan matures upon the occurrence of certain conditions but no later than March 31, 2010. In February 2009, the Company entered into an agreement to acquire all of the outstanding shares of Dynamite. This acquisition was completed subsequent to the end of the quarter.

During the comparative quarter, the Company raised \$278,746, net of issue costs, through the issuance of 1,111,111 common shares of the Company at a price of \$0.27.

## **CASH FLOWS**

### For the quarter ended March 31, 2009

During the quarter ended March 31, 2009, operating activities used \$3,977,949 in cash flows compared to \$239,803 during the first quarter of 2008. Non cash working capital for the current quarter used \$2,851,913 compared to \$143,546 for the comparative period.

Cash from investing activities provided \$9,133 during the Q1-2009 compared to the use of \$848,611 during Q1-2008. Expenditures on the Company's mineral properties used \$2,092,051 during the current quarter compared to \$1,224,127 during the comparative quarter. The Company recorded pre-production gold and silver sales of US\$4.4 million (CDN\$5.5 million) during Q1-2009 which reduced deferred mineral property expenditures (Q1-2008: \$nil). The increase in accounts payable related to exploration expenditures provided \$2,101,184 for the current quarter under review compared to \$225,516 for the comparable quarter. Also, during the comparative quarter, prepaid exploration expenditure decreased by \$150,000.

Financing activities generated \$2,801,205 during the current quarter compared to \$278,746 during the comparative quarter, both a result of private placement financings net of finance costs as discussed in the Liquidity section of this report.

## **TRANSACTIONS WITH RELATED PARTIES**

The Company was charged \$20,000 during the four months ended March 31, 2009 (Q1 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 their proportional share of the expenses. Included in accounts payable and accrued liabilities at March 31, 2009 is \$13,121 (Q1 2008: \$11,324) owing to such companies. 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 and officers. 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 entered into a letter agreement with Dynamite to acquire all of the issued and outstanding shares of Dynamite.

## **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 Corporation 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.

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. Mr. Duras is entitled to compensation of \$2,000 per month. In the event of termination without cause, Mr. Duras is entitled to the equivalent of 6 months in base fees. Effective March 1, 2009, Mr. Duras' monthly compensation increased to \$6,000 per month.

In February 2009, the Company entered into a consulting agreement with Christopher Bradbrook pursuant to which Mr. Bradbrook agreed to provide management services to the Company in the capacity of Vice President, Strategic Development. Mr. Bradbrook is entitled to compensation of \$5,000 per month. In the event of termination without cause, Mr. Bradbrook is entitled to the equivalent of 3 months in base fees.

For the four-month quarter ended March 31, 2009, the Company was charged \$20,000 for consulting fees during the four months ended March 31, 2009 (Q1-2008: \$30,000) by directors or by companies controlled by directors of the Company. The Company was charged \$271,779 for consulting fees for the four months ended March 31, 2009 (Q1-2008: \$19,667) by officers of the Company.

## SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares of which 113,265,009 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, 16,751,000 options (including broker compensation options) are outstanding at exercise prices ranging from \$0.08 to \$0.65 expiring between January 10, 2013 and May 4, 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	9,949,996
December 19, 2009	0.36	1,111,111
July 31, 2009	0.48	1,500,000
May 8, 2010	0.65	30,050,000
July 12, 2010	0.10	18,750,000
		61,361,107

Avion has no performance shares or escrow shares.

## SUBSEQUENT EVENTS

The Company has declared commercial production as of May 1, 2009.

In April 2009, the Company has extended the term of 30,050,000 common share purchase warrants that were issued in May 2008. These warrants are exercisable into the same number of common shares at an exercise price of \$0.65. On receipt of regulatory approval, the expiry date has been extended from May 8, 2010 to May 8, 2011. This extension was a condition of the May 2008 financing. The effective date of the extension is May 8, 2009.

In May 2009, the Company completed the acquisition of Dynamite by way of a plan of arrangement. The Company acquired all of the issued and outstanding common shares of Dynamite at an exchange ratio of 0.75 common shares of the Company for each common share of Dynamite. As a result, the Company issued 85,151,250 common shares to the former shareholders of Dynamite.

In May 2009, the Company entered into an agreement to acquire a 16% interest in Midlands Minerals Corporation ("Midlands") through the purchase of 8,581,000 common shares of Midlands in exchange for the 4,290,500 common shares of the Company. Closing of this purchase is subject to final approval of the TSX Venture Exchange.

In May 2009, the Company settled its US\$1,000,000 debenture owing to Aberdeen (Note 12). Also, the Company settled the \$1,750,000 plus accrued interest owing to Aberdeen in relation to the Ethiopian properties (Note 10) for a payment of \$1,600,000 million.

In May 2009, Mr. Patrick Gleeson resigned as the Company's Corporate Secretary. Ms. Brianna Davies has been appointed Corporate Secretary of the combined company. In addition, the Company has appointed Mr. Lewis MacKenzie and Mr. Gerald McCarvill, former directors of Dynamite, to the Board of Directors of the Company.

## **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 has no significant source of operating cash flow and no revenues from operations. The Company has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish reserves.

The property interests in which the Company has an option to earn an interest are in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. Exploration of the Company's mineral properties may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

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 Annual Information Circular filed on April 22, 2009 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 \$962,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contract commitments remaining under these contracts are approximately \$745,000.

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 March 31, 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.

## **SIGNIFICANT ACCOUNTING POLICIES**

Except as disclosed below, these 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 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 Valencia 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 properties in which the Company currently has an interest are in the exploration and development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and development program and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. 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 four-month quarter ended March 31, 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 receivable. 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, 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 minimal. 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 March 31, 2009, the Company had a cash and cash equivalents balance of \$2,327,638 (November 30, 2008 - \$3,495,249) to settle current liabilities of \$16,110,040 (November 30, 2008 - \$11,737,460). Approximately \$4,800,000 of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Current liabilities include three short term debentures. One of these debentures, approximately US\$5,200,000 (CDN\$6,500,000) plus accrued interest is payable to Dynamite Resources Inc. ("Dynamite"). However, at March 31, 2009, the Company was in negotiations to acquire Dynamite. This acquisition was completed subsequent to the end of the quarter.

### **Market risk**

#### **(a) Interest rate risk**

The Company has cash balances and interest-bearing debt at March 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. The Company's interest bearing debt has a fixed interest rate of 10% and is short term. The Company considers interest rate risk to be minimal as investments are short term, and the interest rate on the short term debt is fixed.

#### **(b) 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, the Company has short term loans denominated in US dollars, totaling US\$6,200,000 (CDN\$7,800,000) plus accrued interest. 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 has a debenture which is linked to the gold price implying the principal would rise in direct correlation to a rise in gold prices.

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 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 March 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

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).

Based on the gold inventory held by the Company as at March 31, 2009, 10% fluctuations in the exchange rate from US\$ to CDN\$ will generate increases or decreases in value of approximately \$220,000.

Based on the gold inventory held by the Company at March 31, 2009, an increase or decrease in the market price of gold of US\$100 per ounce would generate a respective increase or decrease in value of approximately \$190,000.

The Company commenced commercial gold production subsequent to the end of 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.Geol. 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 targeted 2009 production of 66,000 ounces of gold.

Avion has planned to recommence exploration on the property in May 2009 with a goal of adding to the current resource base and extending the mine plan beyond the currently contemplated four year mine life.

May 26, 2009