



Interim Consolidated Financial Statements  
for the three months ended  
March 31, 2010 and  
the four months ended  
March 31, 2009

-- *unaudited* --

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# AVION GOLD CORPORATION

## Consolidated Balance Sheets

(Stated in United States Dollars - Note 3)

As at:	March 31, 2010 <i>unaudited</i>	December 31, 2009 <i>audited</i>
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 8,288,399	\$ 20,541,856
Amounts receivable (Notes 5 and 18)	1,021,145	1,095,272
Fuel duty recoverable (Note 6)	1,579,233	2,974,000
Prepaid expenses (Notes 7 and 18)	2,760,716	4,800,913
Inventory (Note 8)	16,071,903	13,077,714
	<b>29,721,396</b>	42,489,755
Investments (Note 9)	2,868,919	3,089,537
Fuel duty recoverable (Note 6)	3,279,889	1,768,989
Deposits and advances	9,802,492	3,844,415
Properties, plant and equipment (Note 10)	49,709,384	36,562,898
	<b>\$ 95,382,080</b>	\$ 87,755,594
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Notes 11)	\$ 8,678,328	\$ 9,281,282
Shareholder loan (Note 12)	521,073	549,889
	<b>9,199,401</b>	9,831,171
Asset retirement obligations (Note 13)	5,166,750	5,053,000
	<b>14,366,151</b>	14,884,171
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 14)	75,511,868	71,236,109
Warrants (Note 15)	4,958,140	5,064,584
Contributed surplus (Note 17)	8,275,395	5,958,358
Deficit	(11,429,536)	(10,883,796)
Accumulated other comprehensive income/(loss) (Note 3)	3,700,062	1,496,168
	<b>81,015,929</b>	72,871,423
	<b>\$ 95,382,080</b>	\$ 87,755,594

Commitments and contingencies (Notes 2 and 21)  
Subsequent events (Note 23)

APPROVED ON BEHALF OF THE BOARD:

"John Begeman", Director

"Stan Bharti", Director

# AVION GOLD CORPORATION

## Consolidated Statements of Operations and Comprehensive Income/(Loss)

(Stated in United States Dollars - Note 3)

UNAUDITED

	Three months ended March 31, 2010	Four months ended March 31, 2009
<b>OPERATING REVENUES</b>		
Gold sales	\$ 19,425,382	\$ -
Silver sales	41,237	-
	19,466,619	-
<b>OPERATING EXPENSES</b>		
Mining and processing	11,409,242	-
Royalties	1,358,440	-
Amortization and depletion	1,373,968	-
Corporate and administrative	711,958	474,665
Stock-based compensation (Note 16)	2,382,567	163,079
	17,236,175	637,744
<b>INCOME/(LOSS) FROM OPERATIONS</b>	2,230,444	(637,744)
Interest income	25,044	1,818
Interest expense and accretion (Notes 12 and 13)	(117,821)	(393,868)
Unrealized loss on investment (Note 9)	(709,874)	-
General exploration recovery	-	4,384
Foreign exchange (loss)	(1,973,533)	(215,950)
<b>NET (LOSS) for the period</b>	(545,740)	(1,241,360)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) for the period (Note 3)</b>	2,203,894	(269,144)
<b>NET INCOME/(LOSS) AND OTHER COMPREHENSIVE INCOME/(LOSS) for the period</b>	\$ 1,658,154	\$ (1,510,504)
Net (loss) per share, basic	\$ (0.00)	\$ (0.01)
Net (loss) per share, diluted	\$ (0.00)	\$ (0.01)
Weighted average number of shares outstanding:		
basic	295,537,770	100,248,480
diluted	295,537,770	100,248,480

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# AVION GOLD CORPORATION

## Consolidated Statements of Deficit

(Stated in United States Dollars - Note 3)

	Three months ended March 31, 2010	Four months ended March 31, 2009
Deficit, beginning of period	\$ (10,883,796)	\$ (13,480,981)
NET (LOSS) for the period	(545,740)	(1,241,360)
Deficit, end of period	\$ (11,429,536)	\$ (14,722,341)

# AVION GOLD CORPORATION

## Consolidated Statements of Cash Flows

(Stated in United States Dollars - Note 3)

	Three months ended March 31, 2010	Four months ended March 31, 2009
Cash flows provided by (used in)		
Operating activities		
Net (loss) for the period	\$ (545,740)	\$ (1,241,360)
Changes not affecting cash:		
Stock based compensation (Note 16)	2,416,061	163,079
Amortization and depletion	1,587,120	-
Accretion expense (Notes 12 and 13)	113,750	125,128
Foreign exchange	1,291,522	(155,562)
Unrealized gains on investments held	719,854	-
Net change in non-cash working capital items	(3,127,948)	(2,252,401)
	2,454,619	(3,361,116)
Financing activities		
Private placements	-	2,528,871
Cost of issue	-	(167,491)
Exercise of warrants and options	677,713	-
(Decrease) in short term loans	(28,816)	-
	648,897	2,361,380
Investing activities		
Properties, plant and equipment	(10,783,275)	(6,145,613)
Preproduction revenues	-	4,460,106
Net change in working capital related to properties, plant and equipment	(4,084,765)	1,681,485
Acquisition of investment	(405,363)	-
	(15,273,403)	(4,022)
Effect of change of exchange rates on cash balances	(83,570)	48,192
Change in cash and cash equivalents	(12,253,457)	(955,566)
Cash and cash equivalents, beginning of period	20,541,856	2,818,272
Cash and cash equivalents, end of period	\$ 8,288,399	\$ 1,862,706
Cash and cash equivalents consist of:		
Cash	\$ 890,380	\$ 1,541,786
Cash equivalents	7,398,019	320,920
	\$ 8,288,399	\$ 1,862,706
<b>SUPPLEMENTARY INFORMATION:</b>		
Common shares issued for acquisition of property	\$ 3,387,206	\$ -
Amortization charged to mineral properties	\$ 1,681	\$ 1,658
Interest paid	\$ -	\$ 23,353
Income taxes	\$ -	\$ -

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# AVION GOLD CORPORATION

## Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2010 and the four months ended March 31, 2009

*(Stated in United States dollars – Note 3)*

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# AVION GOLD CORPORATION

## 1. NATURE OF OPERATIONS

Avion Gold Corporation, formerly Avion Resources Corp., ("Avion" or the "Company") declared commercial production on May 1, 2009. Prior to this date, the Company was a development stage entity, as defined by the Canadian Institute of Chartered Accountants (the "CICA") Accounting Guideline 11. The Company changed its fiscal year end from November 30 to December 31 effective the 2009 year. Consequently, the three-month quarter ending March 31, 2010 is being compared to the four-month quarter ending March 31, 2009.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. Mining assets located outside of Canada are subject to the risk of foreign investment including increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

## 2. CONTINUING OPERATIONS

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

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

## 3. CHANGE IN REPORTING CURRENCY

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

Following the recommendations of EIC-130, financial statements for all periods presented have been translated using the current rate method. Under this method, consolidated revenues, expenses, and cash flow statement items have been translated using weighted-average exchange rates for the applicable periods. Consolidated assets and liabilities have been translated using the exchange rates in effect on the balance sheet dates, while shareholders' equity has been translated using the exchange rates in effect on the date of each transaction. Resulting exchange differences are reported in a separate component of other comprehensive income. All comparative financial information has been translated and restated as if the US\$ had been used as the Company's reporting currency. As a result of the change in reporting currency, the Company has recorded accumulated other comprehensive income/(loss) on the balance sheet at March 31, 2010 of \$3,700,062 (December 31, 2009 - \$1,496,168).

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

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# AVION GOLD CORPORATION

## Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2010 and the four months ended March 31, 2009

(Stated in United States dollars – Note 3)

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### 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles (“GAAP”) and their basis of application is consistent with that of the year ended December 31, 2009, except as disclosed. Outlined below are those policies considered particularly significant.

Future accounting changes:

#### International Financial Reporting Standards (“IFRS”)

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

#### Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

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

### 5. AMOUNTS RECEIVABLE

	March 31, 2010	December 31, 2009
Reimbursable expenditures	\$ 171,249	\$ 169,020
Refundable taxes	819,715	852,961
Other	30,181	73,291
	<u>\$ 1,021,145</u>	<u>\$ 1,095,272</u>

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# AVION GOLD CORPORATION

## Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2010 and the four months ended March 31, 2009

(Stated in United States dollars – Note 3)

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### 6. FUEL DUTY RECOVERABLE

The fuel duty recoverable is recoverable from the Government of Mali. It is currently being recovered by way of offset against royalties and any taxes that would otherwise be payable to the Government of Mali, including payroll taxes. There is no formal offset agreement with the Government of Mali, however, the Government has not rejected any offsets to date. The balance of the recoverable at March 31, 2010 is 2,411,626,126 CFA (\$4,859,122). Of this amount, \$1,579,233 is classified as current.

	March 31, 2010	December 31, 2009
Balance, beginning of period	\$ 4,742,989	\$ 5,295,525
Additions	656,725	383,978
Recoveries	(258,398)	(1,623,635)
Foreign exchange	(282,194)	687,121
Balance, end of period	\$ 4,859,122	\$ 4,742,989

### 7. PREPAID EXPENSES

	March 31, 2010	December 31, 2009
Mining supplier advances	\$ 2,297,914	\$ 4,054,750
Administrative advances (Note 18)	231,583	106,076
Prepaid insurance	19,619	39,409
Tax advances	198,106	195,902
Other advances	13,494	404,776
	\$ 2,760,716	\$ 4,800,913

### 8. INVENTORY

	March 31, 2010	December 31, 2009
Spare parts and supplies	\$ 7,640,293	\$ 7,093,315
Gold doré	7,003,229	4,933,701
In-process precious metals	616,833	173,480
Stockpiled ore	811,547	877,218
	\$ 16,071,903	\$ 13,077,714

During the three months ended March 31, 2010, the Company recognized \$12,783,210 (Q1-2009: \$nil) of inventories as an expense. There were no inventory write-downs during the periods.

All inventory is carried at the lower of cost and estimated net realizable value. As at March 31, 2010 and December 31, 2009, all inventory is recorded at cost.

# AVION GOLD CORPORATION

## Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2010 and the four months ended March 31, 2009

(Stated in United States dollars – Note 3)

### 9. INVESTMENTS

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

	Classification	March 31, 2010		December 31, 2009	
		No. held	Value	No. held	Value
Long term					
Midlands Minerals Corporation	Held-for-trading	9,098,500	\$ 2,418,798	9,098,500	\$2,956,090
Other	Held-for-trading	3,380,000	\$ 450,121	2,100,000	\$ 133,447
			<b>\$ 2,868,919</b>		<b>\$ 3,089,537</b>

The Company has recognized an unrealized loss on their held-for-trading investments of \$709,874 for the three months ended March 31, 2010 (Q1-2009: \$nil).

### 10. PROPERTIES, PLANT AND EQUIPMENT

	Cost	March 31, 2010		Net	December 31, 2009
		Accumulated Amortization	Accumulated Depletion		Net
Mining property, plant and equipment	\$ 55,918,459	\$ (1,314,915)	\$ (5,013,170)	\$ 49,590,374	\$ 36,496,172
Administrative property, plant and equipment	\$ 140,290	\$ (21,280)	\$ -	\$ 119,010	\$ 66,726
	<b>\$ 56,058,749</b>	<b>\$ (1,336,195)</b>	<b>\$ (5,013,170)</b>	<b>\$ 49,709,384</b>	<b>\$ 36,562,898</b>

In January 2010, the Company completed the acquisition of a 100% acquisition of the Keneiba concessions from Great Quest Metals Ltd. ("Great Quest"). As consideration, the Company paid CDN\$500,000 (\$490,754) in cash, and issued 7,608,696 common shares of the Company. A total of 1,902,704 common shares are being held in escrow (25% of the total share consideration) pending receipt of a government approval for the transfer of the Comifa concession. In the event that Great Quest is unable to obtain the "arrête" before January 8, 2011, then 20% of the escrowed shares shall be released to Avion on each anniversary of the closing date until the earlier of five years and the date Great Quest receives government approval for the transfer of the Comifa concession. Avion has also agreed to make future contingent payments of up to CDN\$2.1 million in the event that it produces more than 400,000 ounces of gold from the Kenieba concessions, payable in increments for each 50,000 ounces of additional production. If production from the concessions exceeds 600,000 ounces, Avion would be required to make up to a further CDN\$1.4 million in payments to complete its obligations under this agreement.

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# AVION GOLD CORPORATION

## Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2010 and the four months ended March 31, 2009

(Stated in United States dollars – Note 3)

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### 10. PROPERTIES, PLANT AND EQUIPMENT (continued)

The Company also executed an agreement to acquire a 100% interest in the Houndé group of concessions in Burkina Faso from Avocet Mining PLC (“Avocet”). Upon signing a definitive agreement, the Company will issue 10,300,000 common shares to Avocet. This property is subject to a 2% NSR due to Barrick Gold, and certain back-in rights. Should Avion be successful in defining a greater than 3 million ounce gold deposit on the Kari Nord and Kari Sud licenses, Barrick has the option to claw-back a 75% indirect interest in the Kari properties by paying Avion an amount equal to the value of this interest subject to an independent valuation report. Should Avion be successful in defining a greater than 3 million ounce gold deposit, Barrick has the option to claw-back 25% equity in the Houndé concession by paying Avion an amount equal to the value of this interest determined from an independent valuation. If the claw-back option in either case is exercised, Barrick will relinquish the NSR over that license(s). If the claw-back option in either case is exercised, Avion and Barrick will form a Joint Venture company under the terms in the Agreement with the majority holder taking on the role of operator. The definitive agreement has not been signed as at March 31, 2010.

In March 2010, the Company entered into a purchase agreement with AXMIN Inc. (“AXMIN”) under which the Company has agreed to acquire AXMIN’s interest in the Kofi Group of concessions (“Kofi”) in Mali for total consideration of CDN\$500,000 and 4,500,000 common shares of the Company according to a payment schedule established in the definitive agreement. AXMIN’s direct interest in the concessions that comprise the Kofi property varies from 81.25% to 100%. Completion of the proposed acquisition is subject to the receipt of standard closing documents, including a title opinion, approval of the TSX Venture Exchange, and Government approval in Mali for the license transfers. As at March 31, 2010, this transaction was not complete.

### 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2010	December 31, 2009
Mining and milling suppliers and contractors	\$ 6,408,255	\$ 6,133,948
Payroll liabilities	522,554	999,921
Corporate payables	933,731	1,341,813
Royalties	197,090	149,888
Other provisions	616,698	655,712.00
	<u>\$ 8,678,328</u>	<u>\$ 9,281,282</u>

### 12. SHAREHOLDER LOAN

The Company, through its Malian subsidiaries, carries a liability payable to the Government of Mali in relation to their 20% ownership of the Malian subsidiaries, being Tambaoura Mining Co. and Segala Mining Co. The balance of this liability at March 31, 2010 is 258,613,389 FCFA (\$521,073) (December 31, 2009: 256,677,081 FCFA (\$549,889)), including accrued interest. This loan bears an interest rate at the London Interbank Offered Rate (“LIBOR”) for United States dollars plus 2%, and is calculated annually. This loan will be paid with priority over shareholder dividends from the Malian subsidiaries. During Q1-2010, interest expense related to this loan totalled \$4,071 (Q1-2009: \$6,445).

# AVION GOLD CORPORATION

## Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2010 and the four months ended March 31, 2009

(Stated in United States dollars – Note 3)

### 13. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations were acquired through the purchase of the Mali projects, and include costs accrued based on the current best estimate of mine reclamation and closure activities that will be required upon completion of mining activities. These activities include costs for earthworks, including land recontouring and revegetation, water treatment and demolition. The Company's provision for future site closure and reclamation costs is based on known legal requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments. The asset retirement obligation calculation used a credit adjusted risk-free discount rate applicable to Mali of 9% and an inflation factor of 3.0%. Although the ultimate amount to be incurred is uncertain, based on development, legal requirements and estimated costs as at March 31, 2010, the total undiscounted liability for asset retirement obligations is estimated to be approximately \$5,800,000. The cash expenditures are expected to occur over a period of time commencing in 2013.

	March 31, 2010	December 31, 2009
Balance, beginning of period	\$ 5,053,000	\$ 3,553,991
Additions to liability	-	1,114,000
Accretion expense	113,750	325,000
Foreign exchange		60,009
Balance, end of period	\$ 5,166,750	\$ 5,053,000

### 14. CAPITAL STOCK

a) Authorized - unlimited number of common shares

b) Issued

Common shares	Number of Shares	Amount
Balance, November 30, 2008	75,765,009	\$ 29,517,331
Private placement (a)	37,500,000	2,528,871
Private placement (b)	57,500,000	21,679,706
Issue of warrants - warrant valuation	-	(472,899)
Exercise of warrants	19,571,358	3,662,830
Exercise of warrants -- value allocation	-	977,249
Exercise of stock options and broker options	2,430,000	215,111
Exercise of stock options and broker options -- value allocation	-	136,292
Shares issued for acquisition of subsidiary	85,151,250	13,139,567
Shares issued for acquisition of investment	4,290,500	1,379,342
Shares issued to buy out royalty	3,500,000	967,920
Cost of issue	-	(2,495,211)
<b>Balance, December 31, 2009</b>	<b>285,708,117</b>	<b>\$ 71,236,109</b>
Exercise of warrants	4,220,400	410,907
Exercise of warrants -- value allocation	-	106,444
Exercise of stock options and broker options	538,781	266,805
Exercise of stock options and broker options -- value allocation	-	99,024
Property acquisition (Note 10)	7,608,696	3,387,206
Cof of issue	-	5,373
<b>Balance, March 31, 2010</b>	<b>298,075,994</b>	<b>\$ 75,511,868</b>

# AVION GOLD CORPORATION

## Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2010 and the four months ended March 31, 2009

(Stated in United States dollars – Note 3)

### 15. WARRANTS

	March 31, 2010			December 31, 2009		
	Number of warrants	Weighted average exercise price	Value	Number of warrants	Weighted average exercise price	Value
Balance, beginning of period	40,020,400	\$ 0.51	\$ 5,064,584	42,611,107	\$ 0.55	\$ 5,975,200
Granted	-	-	-	21,750,000	0.13	612,095
Acquisition warrants	-	-	-	75,226,250	1.19	10,569
Exercised	(4,220,400)	0.10	(106,444)	(19,571,358)	0.20	(977,249)
Expired	-	-	-	(79,995,599)	1.15	(556,031)
<b>Balance, end of period</b>	<b>35,800,000</b>	<b>\$ 0.56</b>	<b>\$ 4,958,140</b>	<b>40,020,400</b>	<b>\$ 0.51</b>	<b>\$ 5,064,584</b>

A summary of the outstanding warrants as at March 31, 2010 are as follows:

Expiry Date	Exercise Price (CDN\$)	Warrants Outstanding	Estimated Grant Date Fair Value (\$)
July 12, 2010	0.10	6,000,000	151,328
May 8, 2011	0.65	28,800,000	4,667,616
November 2, 2011	0.60	1,000,000	139,196
		<b>35,800,000</b>	<b>4,958,140</b>

### 16. STOCK COMPENSATION

#### a) Stock option plan

	March 31, 2010		December 31, 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	23,727,250	\$ 0.55	10,076,000	\$ 0.51
Granted	4,455,000	0.67	4,650,000	0.28
Granted, broker options	-	-	5,685,000	0.27
Acquired options	-	-	6,506,250	0.89
Exercised	(538,781)	0.51	(2,430,000)	0.09
Expired	-	-	(760,000)	0.65
<b>Balance, end of period</b>	<b>27,643,469</b>	<b>\$ 0.57</b>	<b>23,727,250</b>	<b>\$ 0.55</b>

# AVION GOLD CORPORATION

## Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2010 and the four months ended March 31, 2009

(Stated in United States dollars – Note 3)

### 16. STOCK COMPENSATION (continued)

A summary of the outstanding options as at March 31, 2010 are as follows:

Expiry Date	Exercise Price (CDN\$)	Options Outstanding	Options Exercisable	Vested Portion of Estimated Grant Date Fair Value (\$)
May 8, 2010	0.65	3,312,219	3,312,219	533,134
December 10, 2010	0.40	3,450,000	3,450,000	504,053
July 12, 2011	0.39	517,500	517,500	94,075
March 9, 2012	0.33	56,250	56,250	11,034
March 22, 2012	0.73	945,000	945,000	147,641
April 9, 2012	1.01	75,000	75,000	10,717
June 20, 2012	0.92	187,500	187,500	33,768
October 3, 2012	1.07	3,675,000	3,675,000	668,069
November 13, 2012	0.57	75,000	75,000	15,346
January 10, 2013	0.50	1,350,000	1,350,000	469,261
February 5, 2013	0.38	150,000	150,000	32,849
May 27, 2013	0.51	2,850,000	2,850,000	939,297
May 27, 2013	0.65	200,000	200,000	52,250
June 6, 2013	0.51	310,000	310,000	80,774
June 27, 2013	0.51	100,000	100,000	27,461
July 30, 2013	0.40	10,000	10,000	3,146
September 19, 2013	0.20	1,550,000	1,550,000	233,001
February 10, 2014	0.20	750,000	468,750	103,648
April 6, 2014	0.29	3,380,000	3,380,000	732,738
May 4, 2014	0.33	100,000	100,000	24,687
July 31, 2014	0.32	145,000	145,000	38,225
January 6, 2015	0.73	100,000	100,000	33,621
February 23, 2015	0.60	200,000	200,000	44,098
March 12, 2015	0.67	3,750,000	3,750,000	2,089,291
March 29, 2015	0.70	405,000	405,000	229,231
		27,643,469	27,362,219	7,151,415

The Company granted 4,455,000 stock options to directors, officers and consultants of the Company during the three months ended March 31, 2010 (Q1-2009: 750,000). Of these options granted, 300,000 (Q1-2009: 750,000) options vest 1/8<sup>th</sup> every quarter over a two year period, while the remainder vest immediately. An amount of \$2,382,567 was recorded in stock based compensation expense for the three months ended March 31, 2010 related to these and other options that vested over the period (Q1-2009: \$163,079). The weighted average grant date fair value of the options granted during Q1-2010 was \$0.55 (Q1-2009: \$0.15). The estimated fair value of stock options issued during the period was estimated using the Black-Scholes option pricing model under the following weighted average assumptions:

	Q1-2010	Q1-2009
expected dividend yield	0%	0%
expected volatility	123.71%	124.77%
risk-free interest rate	3.49%	2.10%
expected life	5 years	5 years

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# AVION GOLD CORPORATION

## Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2010 and the four months ended March 31, 2009

(Stated in United States dollars – Note 3)

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### 16. STOCK COMPENSATION (continued)

#### b) Share compensation plan

In 2009, the Company established a share compensation plan, such that, should the Company list its common shares on the Toronto Stock Exchange (“TSX”), subject to acceptance of such application by the TSX, up to 2,500,000 common shares of the Company can be issued to directors, officers and employees of the Company. This share compensation plan will be in addition to the Company’s existing stock option plan. Common shares cannot be issued under the plan if the total number of common shares issued under the share compensation plan since its inception, together with the number of options outstanding under the stock option plan at the time of the proposed share issue will represent more than 10% of the issued and outstanding shares of the Company at that time. The number of common shares to be issued to any one director, officer or employee shall not exceed 500,000 common shares. The share compensation plan was approved at the Company’s Annual General Meeting. No shares have been granted pursuant to the share compensation plan as at March 31, 2010.

### 17. CONTRIBUTED SURPLUS

	March 31, 2010	December 31, 2009
Balance, beginning of period	\$ 5,958,358	\$ 2,651,689
Stock options granted and/or vested during the period		
Directors, officers and employees	2,028,843	956,411
Consultants	387,218	270,850
Value of options granted for acquisition of subsidiary	-	1,068,225
Value of compensation options granted during the period	-	591,444
Allocation of value of options exercised	(99,024)	(136,292)
Value of expired warrants	-	556,031
Balance, end of period	\$ 8,275,395	\$ 5,958,358

### 18. RELATED PARTY TRANSACTIONS

The Company was charged \$14,765 during the three months ended March 31, 2010 (Q1-2009: \$17,696) for administrative fees charged by a corporation controlled by a director of the Company.

The Company shares its premises with other companies that have common directors and officers, and the Company reimburses the related companies for its proportionate share of the expenses. The Company has advanced \$134,870 at March 31, 2010 (December 31, 2009: \$44,677) to cover these expenses, and this amount is recorded in prepaid expenses. As well, the Company is owed \$46,813 (December 31, 2009: \$46,554) in reimbursable payments, and this amount is recorded in amounts receivable. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

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# AVION GOLD CORPORATION

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For the three months ended March 31, 2010 and the four months ended March 31, 2009

*(Stated in United States dollars – Note 3)*

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### 19. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital structure of the Company consists of capital stock, warrants and stock options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is in production and has begun to generate cash flows to support the ongoing and longer term strategy focused on regional exploration. However, the Company may continue to rely on capital markets to support continued growth. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no significant changes in the Company's approach to capital management during the quarter ended March 31, 2010.

### 20. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the quarter ended March 31, 2010.

#### Credit risk

The Company's credit risk is primarily attributable to amounts receivable and the fuel duty recoverable. The Company has no significant concentration of credit risk arising from operations other than that related to the fuel duty recoverable. Financial instruments included in amounts receivable consist of Goods and Services Tax due from the Government of Canada, Value Added Tax from foreign governments, employee advances and reimbursable costs, and gold sales receivables. Fuel duty receivable is due from the Government of Mali, recoverable by way of offset against certain royalties and any taxes otherwise payable to the Government of Mali. The right to offset and the full value of the recoverable amount have not been confirmed by the Government of Mali. Management believes that the credit risk with respect to these financial instruments is minimal. There is no formal offset agreement with the Malian Government, however the Government has not rejected the offsets to date.

#### Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2010, the Company had a cash and cash equivalents balance of \$8,288,399 (December 31, 2009 - \$20,541,856) to settle current liabilities of \$9,199,401 (December 31, 2009 - \$9,831,171). Approximately \$7,800,000 of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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# AVION GOLD CORPORATION

## Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2010 and the four months ended March 31, 2009

(Stated in United States dollars – Note 3)

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### 20. FINANCIAL RISK FACTORS (continued)

#### Market risk

##### (a) Interest rate risk

The Company has cash and cash equivalent balances at March 31, 2010. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

##### (b) Foreign currency risk

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

##### (c) Price risk

The Company is exposed to price risk with respect to gold and silver prices. The Company closely monitors these metal prices to determine the appropriate course of action to be taken by the Company. The Company currently does not hedge for price risk.

#### Financial instruments and fair values

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

#### Fair value hierarchy and liquidity risk disclosure

The following table illustrates the classification of the Company's financial instruments within the fair-value hierarchy as at March 31, 2010:

	Level 1	Level 2	Level 3
Cash and equivalents:			
Cash	\$ 890,380	\$ -	\$ -
Equivalents	\$ 7,398,019	\$ -	\$ -
Investments	\$ 2,731,507	\$ -	\$ 137,412

The investments classified as Level 3 increased by \$3,935 during Q1-2010 as a result of fluctuations in the Canadian-US foreign exchange rate.

As at March 31, 2010, 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.

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# AVION GOLD CORPORATION

## Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2010 and the four months ended March 31, 2009

(Stated in United States dollars – Note 3)

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### 20. FINANCIAL RISK FACTORS (continued)

Sensitivity analysis

#### Foreign exchange risk

A 10% change in the Canadian Dollar March 31, 2010 exchange rate on financial assets and liabilities as at March 31, 2010 compared to the US Dollar, with all other variables held constant, would impact the Company's net earnings by \$736,000. Comprehensive earnings would be impacted by \$7,300,000.

A 10% change in the Canadian Dollar December 31, 2009 exchange rate on financial assets and liabilities for 2009 compared to the FCFA, with all other variables held constant, would impact the Company's net earnings by \$191,000. Comprehensive earnings would be impacted by \$2,000.

#### Price risk

A 10% change in the average gold price for the quarter ended March 31, 2010 with all other variables constant would have resulted in an impact to earnings of approximately \$1,900,000.

### 21. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$3.6 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 \$900,000.

The Company has contracted to purchase fuel as required, however if the contract was terminated, the Company would be obligated to pay the approximately \$800,000 at March 31, 2010.

The Company has received a tax assessment from the Malian government for FCFA 1,303,558,366 (approximately \$2,700,000) covering periods prior to the acquisition of the Mali Projects by the Company. The Company believes that this assessment is without merit and will not result in any significant expense to the Company.

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company cannot reasonably predict the likelihood or outcome of these actions. The Company does not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the financial condition or future results of operations. As at March 31, 2010, accounts payable and accrued liabilities include provisions related to such matters totaling \$617,000.

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# AVION GOLD CORPORATION

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(Stated in United States dollars – Note 3)

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### 22. SEGMENTED INFORMATION

	Current Assets	Property, Plant and Equipment	Other Long Term Assets	TOTAL ASSETS
<u>March 31, 2010</u>				
Canada	8,178,762	-	2,868,920	11,047,682
Mali	21,542,634	49,709,384	13,082,380	84,334,398
	<u>29,721,396</u>	<u>49,709,384</u>	<u>15,951,300</u>	<u>95,382,080</u>
<u>December 31, 2009</u>				
Canada	20,129,837	-	3,089,537	23,219,374
Mali	22,359,918	36,562,898	5,613,404	64,536,220
	<u>42,489,755</u>	<u>36,562,898</u>	<u>8,702,941</u>	<u>87,755,594</u>

### 23. SUBSEQUENT EVENTS

On May 10, 2010, the Company closed a public offering through the issuance of 48,070,000 common shares of the Company at a price of CDN\$0.60 per share for gross proceeds of CDN\$28,842,000 (\$27,629,083). The underwriters received a cash commission of \$1,657,745 as well as 2,884,200 broker warrants entitling them to acquire the same number of common shares at a price of CDN\$0.60 per share on or before May 10, 2011.

Subsequent to March 31, 2010, 1,512,500 warrants, 2,621,750 broker options and 200,000 stock options were exercised for gross proceeds of \$1,997,912. As well, on May 8, 2010, 1,409,219 broker options expired unexercised.