



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

***for the three months ended
March 31, 2012***

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2012

GENERAL

This management's discussion and analysis ("MD&A") has been prepared based on information available to Avion Gold Corporation ("we", "our", "us", "Avion", or the "Company") as of May 15, 2012. This MD&A provides a detailed analysis of the Company's business and compares its financial results with those of the previous period and should be read in conjunction with the Company's condensed interim consolidated financial statements and notes thereto for the three months ended March 31, 2012 as well as the Company's audited annual consolidated financial statements and notes thereto and the MD&A for the twelve months ended December 31, 2011. The condensed interim consolidated financial statements and related notes of Avion have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's functional and reporting currency is the United States dollar.

Additional information including press releases have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and are available online under Avion's SEDAR profile at www.sedar.com.

Unless otherwise noted, this MD&A reports our activities through May 15, 2012. References to the 1st quarter of 2012 or Q1-2012, and the 1st quarter of 2011 or Q1-2011 mean the three months ended March 31, 2012 and 2011 respectively.

CAUTIONARY NOTES

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

Except for statements of historical fact relating to Avion, certain information contained herein constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the development potential of the Company's properties; future mineral prices; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations, the realization of mineral reserve and resource estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; permitting time lines and permitting, mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such statements are made. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: political and social instability in foreign countries, 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.

OVERVIEW AND STRATEGIC DIRECTION OF THE COMPANY

Avion is a publicly traded Canadian-based gold mining company on the Toronto Stock Exchange (TSX: AVR) and the OTCQX (AVGCF) focused in West Africa that holds an 80% interest in the Tabakoto and Ségala gold projects in Mali. Avion's gold production commenced at these projects in 2009 with 51,291 ounces of gold produced in 2009, 87,631 ounces of gold produced in 2010, and 91,200 ounces of gold produced in 2011. Total production over the three years has been 230,122 ounces of gold.

Avion continues to progress towards its goal of 200,000 ounces of gold production per year and a longer term goal of organic growth through development of its exploration properties. The Tabakoto project is currently open pit mining at the Dioulafoundou and Djambaye II deposits, underground mining at the Tabakoto deposit, and developing an underground mine at the Ségala deposit. Production at the Tabakoto underground mine started in February 2012. A process plant expansion from 2,000 tonnes of ore per day to 4,000 tonnes of ore per day was scheduled to begin commissioning at the end of the second quarter of 2012, but is now delayed due to effects from a military coup in Mali that occurred on March 21, 2012.

Production sustainability has been supported and enhanced by an aggressive drill program over an approximately 600 km² exploration package that both surrounds and is near to the Company's existing mine infrastructure.

The current mineral resources estimate for the Tabakoto project demonstrates several sources of mineralization for open pit mining as well as good grade underground mineral resources thus providing significant flexibility for Avion's future mining plans. Additionally, the nearby approximately 470 km² Kofi property in Mali and the approximately 1,600 km² Houndé exploration property in Burkina Faso have returned promising results which led to the calculation of mineral resource updates. These properties are the subject of an aggressive exploration program in 2012.

Q1-2012 HIGHLIGHTS

During the three-month period ended March 31, 2012, the following significant activities occurred:

- The Company sold gold call options raising \$25,000,000 in February 2012.
- Avion produced 26,256 ounces of gold during the quarter after final refinery adjustments at a cash cost per ounce produced of \$939 (Please refer to non-IFRS measures below).
- Avion processed 225,729 tonnes of ore at an average grade of 4.02 g/t Au. Approximately 30% of the ore processed was mined from the Dioulafoundou open pit, 40% of the ore was mined from Tabakoto underground, with other sources from the Djambaye open pit, Ségala NW open pit and previously stockpiled ore.
- The average mill recovery for the quarter was approximately 90.2%.
- Expansion plans continued at Tabakoto, consisting of the following activities:
 - Production mining at the Tabakoto underground deposit commenced in February 2012. During the first quarter of 2012, approximately 86,000 tonnes of ore was mined from stopes and development headings at an average estimated grade of 5.40 g/t Au.
 - The underground portal at the Ségala deposit encountered a 2 m wide fault zone, which has halted advance. A shotcrete machine has been purchased and is being set up to spray cement onto the tunnel walls to reinforce the workings. It is anticipated that it will take until sometime in May before normal advance can start again.

- Ore is currently being mined from the Djambaye II deposit. Construction of the haul road from the Dioulafoundou deposit to the Djambaye II deposit is essentially complete, with work on two bridges outstanding.
 - The Ségala NW open pit was mined to completion during the first quarter of 2012.
 - Construction work to double the Tabakoto plant capacity from 2,000 to 4,000 tonnes per day was progressing well until a military coup occurred on March 21, 2012. The plant expansion was on budget and on schedule, and approximately 80% completed on a cost spend basis. The Company reported in early May that it had suspended temporarily the mill expansion program due to the effects of the military coup.
- On January 17, 2012 Avion also announced its first mineral resource estimate for the Kofi Property which demonstrated a significant increase in the resources at both the Kofi C and Beta zones. A summary of the mineral resource is presented below.
 - Indicated Open Pit Mineral Resources 6.9 million tonnes grading 2.25 g/t Au totaling 500,000 ounces
 - Inferred Open Pit Mineral Resources 12.4 million tonnes grading 1.77 g/t Au totaling 702,000 ounces

Production Guidance

Mill feed plans for 2012 include open pit mining at the Dioulafoundou, Ségala NW and Djambaye II deposits, and underground ore from the Tabakoto deposit. The Dar Salam South deposit is being studied to determine if an economic open pit can be developed. A haul road from the Dioulafoundou deposit to the Djambaye II deposit, a distance of 8 kilometres, is nearly complete. Production stoping at Tabakoto underground began in February 2012. Underground development is planned at the Ségala deposit throughout 2012.

The Company's mill expansion project has reluctantly been temporarily suspended due to business disruptions associated with the military coup in Mali. Mining and milling operations continue at site with Avion's existing mill. Suspension of the expansion plans is a direct result of some of Avion's contractors demobilizing back to their home bases due to foreign government travel warnings for Mali as well as resultant slowdown of construction supplies moving through customs at Mali's borders. It is difficult for the Company to provide updated guidance until it is known when the government travel warnings will be lifted and the contractors can return to Tabakoto. If the plant mill expansion is not put into operational commission in 2012, the production will be in the order of 90,000 to 100,000 ounces of gold for the 2012 year.

MINERAL PROPERTIES

Exploration Review

During Q1-2012 Avion completed 175 core and reverse circulation drill holes totalling 26,464 metres of drilling over the Hounde, Kofi and Tabakoto properties. Drilling focused on the Vindaloo, Madras NW, Madras and Nema zones on the Houndé property, the Djambaye II and Tabakoto South zones on the Tabakoto Project and the Kofi C and Bassindi zones on the Kofi Project.

Tabakoto Project - Tabakoto, Ségala and Kenieba Properties, Mali

The Company acquired an 80% interest in the Tabakoto and Ségala Properties of the Tabakoto Project in Mali, West Africa in May 2008. The remaining 20% interest is owned by the Government of Mali. This interest was subject to a 3% net smelter return royalty ("NSR"), of which 1% was payable to the vendor and 2% was payable to a third party as a finder's fee. During 2009, the Company bought out the third party 2% royalty with a cash payment of \$1,000,000 and the issuance of 3,500,000 common shares of the Company and 1,000,000 warrants, exercisable into common shares of the Company at a price of \$0.60. The Company bought out the remaining 1% NSR for \$2,000,000 during Q4-2010. As well, the Mali Projects are subject to a 6% royalty payable to the Government of Mali.

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

Avion acquired the contiguous Kenieba property in early 2010.

During the three months ended March 31, 2012, Avion had completed 52 reverse circulation holes totalling approximately 6,982 metres with a focus on the Djambaye II zone in-fill drilling.

The goal of the current drill program is to increase the amount of Measured and Indicated mineral resources at Djambaye II and to drill test other target areas.

Avion also initiated a resource update of the mineralized zones which is due in mid Q2-2012.

Kenieba Property - Djambaye II zone

The Kenieba Property lies adjacent to the south and southwestern boundary of Avion's Tabakoto Property approximately 6.5 kilometres southwest of the Tabakoto Mine and hosts the Djambaye II deposit (Indicated mineral resources of 91,500 ounces of gold, in 754,000 tonnes grading 3.77 grams per tonne gold and Inferred mineral resources of 273,900 ounces in 2,545,000 tonnes grading 3.35 grams of gold per tonne – see Avion's news release, May 3, 2011).

In the first quarter of 2012, the bulk of the drilling was completed over this zone. This zone has an open pit mining probable reserve of 707,000 tonnes grading 3.65 g/t Au for a total of 83,100 ounces of gold current as of January 1, 2011. An updated resource estimate is in progress.

A review of the open pit reserve model indicates that it is likely that the pit limitations are due more to a lack of drilling versus any current limits to the gold-bearing system. A program of 200 drill holes totalling 20,000 metres of drilling was recommended to enhance the mineral resources that could be available by open pit and increase the confidence level of the current underground mineral resources. This in-fill, and zone extension program, commenced in October 2011 and continued into Q2-2012.

The Djambaye II mineralized zone has been traced for approximately 2,500 metres along strike and is still open to the north, south and to depth. Infill drill holes have been and are being emplaced every 25 metres along portions of the zone with inferred open pit mineral resources. This in-fill program commenced in November 2011 with one RC rig and continues to date. Almost all holes intersected gold mineralization. These results are being compiled and will be presented as a group once the majority of the in-fill program is completed.

Tabakoto NW, Tabakoto NE, Tabakoto South and Dabo zone 2011 drilling

During the first three months of 2012, Avion completed part of one hole over the Tabakoto South zone which represented the final hole of a 24 hole drill program started in 2011 designed to increase the measured and indicated resources at the Tabakoto South zone. A resource update is in progress with completion due for mid Q2-2012,

Underground development at the Tabakoto Deposit, of the principal ore zones, namely the NE1, Tabakoto South, NW1 and NW2 mineralized structures demonstrated both expected tonnes and slightly higher grades. Additional gold-bearing zones were recognized at the north end of the Tabakoto deposit with northeast, northerly and easterly trending zones and as high grade spurs off the Tabakoto South zone. Underground drilling, to better define and extend known zones, is expected to continue throughout 2012 with 2 core drills. Detailed mapping and follow-up drilling is continuing.

Ségala Main

Exploration drilling to test the Ségala Main zone, both to the west and east of the mined open pit commenced in September 2011, and was completed in October 2011 with 17 holes completed totalling 3,833 metres. These holes intersected variable amounts of gold mineralization that indicates obvious extensions to the Ségala Main zone, especially to the west. Interpretation of these results has led to the modelling of mineralized zones and preparation of a mineral resource estimate.

Ségala NW

In conjunction with a review of the Ségala Main, experience gained from mining the Ségala NW open pit and the inclusion of a few holes that were not included in the previous resource estimate, the Ségala NW zone has been re-interpreted and is now the subject of an updated mineral resource estimate.

Kofi Property, Mali

The Kofi property contains nine mineralized zones with identified mineral resources. All of the estimated mineral resources lie in the Kofi Nord concession of which Avion's initial interest was 81.25% with 12.5% held by African Mining Selection Corporation and 6.25% held by Société Financière d'Exploration d'Or au Mali. On June 16, 2011 Avion announced the closing of a deal to acquire African Mining Selection Corporation's 12.5% interest for total consideration of CDN \$65,000 in cash and 200,000 common shares of Avion. These interests are prior to a 10% or 20% interest due to the Mali government upon commencement of production. The project contains current estimated Indicated mineral resources of approximately 468,300 ounces and Inferred mineral resources of 658,100 ounces that can now be credited to Avion based on the closing of the acquisition and an updated mineral resource estimate that was released on December 21, 2011. Total estimated Indicated mineral resources at a 0.5 g/t Au cut-off are approximately 6.9 million tonnes grading 2.25 g/t Au totalling 500,000 ounces Au (Puritch et. al., 2012 43-101 compliant report). In addition, the Kofi property hosts total Inferred mineral resources of approximately 12.4 million tonnes grading 1.77 g/t Au totalling 702,000 ounces (December 22, 2011 Avion news release, Puritch et. al. 2012, 43-101 compliant report). Most of the zones are open along strike and to depth with zones only tested from 60 to 270 metres below surface. All of the zones are within 15 to 38 kilometers of Avion's Tabakoto mine infrastructure, potentially placing these zones, including the estimated mineral resources, within trucking distance to Tabakoto.

The Kofi property is a large, approximately 470 km² (after renewals and reception of all concession titles, from Axmin Inc. ("AXMIN")) property package situated, at its nearest point, within approximately 5 kilometres to the northwest of Avion's Tabakoto Project. The Kofi property wraps around the north side of Randgold's Loulo Mine concessions (Historic Measured and Indicated resources of 62.69 million tonnes grading 4.55 g/t Au). Four of the nine known mineralized zones on the Kofi property are located along two linear mineralization trends that are defined by the alignment of deposits within the nearby Randgold Property.

In Q1-2012, Avion completed 17 core holes totalling 4,998 metres of drilling with 16 of the holes completed over the Kofi C zone and one hole completed over the Bassindi zone. Assays are pending for this work. During the remainder of the year exploration efforts will focus on geological mapping/prospecting, re-logging and interpretation of known zones and the development of new drill targets.

In consideration for 100% of AXMIN's interest in the Kofi Property, Avion shall pay an aggregate amount of CDN \$500,000 and issue up to 4,500,000 shares of Avion to AXMIN, of which CDN \$262,500 and 2,362,500 shares have been issued and future payments and share issuances have been accrued. Avion announced that it had closed the acquisition of the Kofi Nord, Kofi Dabora, Walia (ACGRI) and Dianissi Concessions, which form part of the Kofi Property, from AXMIN on December 29, 2010. In consideration for 100% of AXMIN's interest in these concessions, Avion has paid \$243,750 and issued 2,193,750 common shares of the Company representing 75% of the consideration due to AXMIN. The remaining 25% will be paid on June 24, 2012. In March 2011, the Company closed its acquisition of the Walia Saakola concession as well as the Walia West Concession which form part of the Kofi Property from AXMIN Inc. In consideration for 100% of AXMIN's interest in the Walia Sakkola and Walia West concessions, Avion has paid AXMIN CDN \$18,750 and 168,750 shares have been issued,

representing 75% of the consideration due to AXMIN in relation to these concessions. The remaining 25% will be paid on September 11, 2012. The closing of the remaining five concessions will take place once the concessions are transferred to Avion's Malian subsidiary.

<u>Due Date</u>	<u>Cash (CDN\$)</u>	<u>No. of Shares</u>	<u>Value of shares (CDN\$)</u>	<u>Value of shares (USD\$)</u>
Re: Kofi Nord, Kofi Dabara, Walia (ACGRI) and Dianissi concessions				
December 24, 2010 (closing, paid and issued)	\$81,250	731,250	\$1,294,313	\$1,274,569
March 24, 2011 (paid and issued)	\$81,250	731,250	\$1,294,313	\$1,274,569
December 24, 2011 (paid and issued)	\$81,250	731,250	\$1,294,313	\$1,274,569
June 24, 2012	\$81,250	731,250	\$1,294,313	\$1,274,569
Re: Walia Saakola and Walia West concessions				
March 11, 2011 (closing, paid and issued)	\$6,250	56,250	\$80,438	\$80,915
September 11, 2011 (paid and Issued)	\$6,250	56,250	\$80,438	\$80,915
March 11, 2012 (paid and issued)	\$6,250	56,250	\$80,438	\$80,915
September 11, 2012	\$6,250	56,250	\$80,438	\$80,915
COMMITMENT TO ISSUE SHARES, March 31, 2012				\$1,355,484

Betea

The Betea zone lies on the eastern part of the property. It is made up of three parts, Betea South, Betea Central and Betea North. The zone has a combined strike length of approximately 3.5 kilometers and geochemical trace that extends for approximately 5 kilometres. Avion carried out an RC drill program over the zone in the second quarter of 2011 comprising 40 holes totalling 6,305 metres that focused on the Betea Central zone. This work led to a better understanding of zone controls and allowed Avion to focus the drilling into those areas that returned higher grade, multiple zones and wider mineralized intervals.

The Betea Central Zone is dominantly underlain by tourmalinitized sandstone, sandstone and greywacke and lesser amounts of fine clastic rock.

Gold mineralization occurs in multiple, north-trending, steeply dipping, quartz-rich shear zones that cut through a wide package of tourmalinitized sediments (likely greywackes). These zones and the rocks that host them are cross cut by NE and NW trending faults and shears which offset the geology. In some cases the NE-trending structures have been observed to thicken the gold zones locally and it is hypothesized that these structures are associated with a later gold bearing event that has introduced additional gold to the system.

Gold mineralized zones have been traced to a maximum of 175 metres vertically and range up to 25 metres true thickness. Based on drilling, the high grade zones in one of the better developed structures, have a moderate north plunge with strike lengths of 100 to 150 metres. The system is open at depth and along strike.

Kofi C

The Kofi C zone lies within a north-northeast trending corridor of deposits, approximately 30 kilometres long and 5 kilometres wide where at least nineteen deposits and zones have been discovered, fifteen of which are on the adjacent Randgold property. A clear break, defined by the magnetic and conductivity data, suggests that this trend continues onto the Kofi property for at least 19 kilometres.

The Kofi C zone consists of at least three to four moderate-east-dipping, apparently shallow north-plunging lenses of mineralization that in total can be traced for approximately 700 metres along strike and up to 275 metres depth. Individual lenses of mineralization can range up to 40 to 50 metres in width with an average width of 10 to 15 metres. The zones are open, off the property to the south, and north of the last drill intersect. For example, the furthest north hole in the best grade, near surface zone, returned an intercept of 6.04 g/t Au over 51.4 metres.

The upper-most lens appears to lie just under a 5-10 metre laterite cover and is interpreted to represent a lag deposit of the mineralized zone that is hosted by saprolite, just below it. However, additional close-spaced drilling will be required to validate this interpretation.

The Kofi C zone gold mineralization is predominantly hosted by an altered package of greywackes, calcareous siltstones, silty limestone and argillites. In detail, gold grades are returned from carbonate-, silica-, leucosene-, sulphide- (pyrite, arsenopyrite and pyrrhotite) and sericite-altered syn-genetic polymictic conglomerates and breccias to carbonate-dominant, secondary, sedimentary breccias. Tourmaline- and talc-altered greywackes occur proximal to the mineralization but are not mineralized.

Kofi A, and B

Zones Kofi A and B both lie of the eastern most boundary of the Loulo trend. The gold zones are hosted in a series of sub-parallel steeply west dipping shears which trend north to 020° Az. The mineralization is hosted in coarse clastic and lesser fine clastic sedimentary rocks of the Diale-Daléma Supergroup. Kofi A Zone has an approximate strike length of 315 meters and Kofi B zone has an approximate strike of 400 meters.

Blanaid

The Blanaid zone lies midway between the Kofi C Zone and the Kofi A Zone. It is approximately 1 kilometer northeast of Kofi C. The zone is orientated north-south beneath a cover laterite. Using RC and limited diamond drilling, AXMIN extended the north-south west dipping mineralized structure to a strike length of approximately 350 meters. The structure is open at depth and along strike to the north.

A-linear Zone

The A-linear Zone lies the far southeast of the property. The zone was drilled by Axmin. It has a strike length of approximately 1,200 meters. The host rock is predominantly clastic sedimentary rock. The rocks are cross cut at the north end by a sub-horizontal dolerite dike. The shears trend approximately 010° Az and dip steeply. Geological mapping suggests that these shears may be axial planar to an antiformal structure. The zone appears to be open at depth.

Bassindi

The Bassindi zone occurs approximately 5 km northeast of the Kofi C zone and lies just west of the Loulo structural corridor which hosts the Kofi C zone. This is a new occurrence with one of three RC holes returning 4.60 g/t Au over 12.0 metres. One additional hole was completed.

Houndé Property, Burkina Faso

Avion acquired the Houndé property in Burkina Faso from Avocet Mining PLC (see Avion's news releases dated July 5, 2010 and October 7, 2010).

This very large, approximately 1,600 km² property, lies within an emerging gold camp and is 60 kilometres southwest of SEMAFO's Mana Mine (which hosts estimated reserves totalling 2,159,700 million ounces of gold, Measured and Indicated mineral resources of 1,126,000 ounces of gold and Inferred mineral resources totaling 2,678,000 million ounces of gold). The property is centred approximately 250 km southwest of Ouagadougou, the capital of Burkina Faso.

On October 26, 2010, Avion announced an initial resource for the Vindaloo Zone on the Houndé property of 883,000 tonnes Indicated mineral resources at 2.23 g/t Au totalling 63,000 ounces of gold and 5,725,000 tonnes Inferred mineral resources at 2.97 g/t Au totalling 547,000 ounces of gold. This zone lies along a well developed ductile deformation zone which is clearly evident in both resistivity and magnetic geophysical data. The zone is open to depth and along strike.

During Q1-2012, Avion completed 106 core and reverse circulation holes totalling 14,593 metres on and near the Vindaloo, Madras, Madras NW and Nema zones. Drilling has traced the Vindaloo alteration zone for approximately 5,700 metres with potential to expand the zone as the mineralized trend is still open along strike. Each of Madras and Madras NW have been traced for 500 to 700 metres. The Nema gold occurrence is located 1.7 km west of the Vindaloo zone and is associated with an IP anomaly that has been traced for approximately 1.75 km. IP survey resistivity and chargeability data correlates very well with known mineralization and highlights additional areas that require drill testing.

The 2012 exploration program consists of approximately 40,000 metres of drilling with a focus on the Vindaloo zone area and the production of a Preliminary Economic Assessment Study for late Q3 or early Q4, 2012.

Metallurgical testing of gold-mineralized mineralization from the Vindaloo in 2011 indicated an average recovery of 93.1% with a surprising average 63% recovery by gravity methods.

Additional IP surveys were carried out over both to the north and south of the Vindaloo zone (approximately 225 line kilometres of IP at 200 metre line spacing). This survey data indicates that the geophysical signature that is associated with the Vindaloo and Koho (located 300 metres to west of the Vindaloo zone) zones, appears to extend for 15 km along strike and that there is a third geophysical trend that lies approximately 300 metres to the west of the Vindaloo trend that can also be traced for the length of the geophysical trend. This third trend appears to correlate with one of the Madras zones.

The Vindaloo zone is hosted by intensely sericite-, epidote- and silica-altered mafic intrusions and similarly-altered, intensely sheared and altered intermediate volcanoclastics. The mineralization is often quartz stockwork-style, intrusion-hosted and weakly to moderately pyritic. The entire mineralized package strikes north-northeast and dips steeply to the west to vertical.

There is also evidence of cross-cutting zones of mineralization near the Vindaloo zone where previous drilling returned intercepts of 2.39 g/t Au over 38.0 metres and 1.20 g/t Au over 34.0 metres.

Additional parallel zones of mineralization are evident both to the east and west of the Vindaloo zone. It is likely that these zones will be further evaluated in the future.

Soil sampling was carried out over two areas in the Houndé South concession block with 5,058 samples collected. This geochemical data, in conjunction with historic soil data, defines 4 gold-in-soil anomalies that range from 6 km to 18 km in strike length. IP geophysical surveys, mapping and drill testing of geochemical and geophysical targets are recommended.

Madras and Madras NW zones

Additional gold mineralization has been intersected at both the Madras and Madras NW zones with intercepts of 1.26 g/t Au over 31.9 metres in hole H-11-07 and 1.60 g/t Au over 17.0 metres in hole RH11-29. Both the Madras and Madras NW zones can be traced for approximately 500 to 700 metres and appear to be open along strike. More drilling will be required to determine the extent of these two northern zones, which extend north off of the geophysical survey area.

Koho Zone

A hole, drilled into the Koho zone, located 300 meters east of the Vindaloo zone, has returned another wide intercept of low grade gold mineralization with an intercept of 0.43 g/t Au over 58.0 metres in hole RH11-35. Other previous 2011 holes into this zone include 0.46 g/t Au over 111.0 metres and 0.48 g/t Au over 21.0 metres. While the gold grades intersected to date are relatively low, management believes that the presence of such a large gold-bearing system, so close to the Vindaloo zone is encouraging. Drill, soil and geophysical data suggest that this trend can be traced for approximately 3.8 kilometres.

Nema Zone

The Nema zone is located approximately 1.7 km west of the Vindaloo zone. A single hole that tested this IP chargeability anomaly returned 1.17 g/t Au over 7.5 metres.

Bouéré Zone

Strong gold mineralization was discovered at the Bouéré artisanal site on the Kari Nord concession, which is located approximately 14 kilometres northwest of the Vindaloo Zone. Hole H-10-41 tested a wide zone of artisanal workings and intersected 3.84 g/t over 47.6 metres. A nearby hole, H-10-42, which tested a separate artisanal trend and followed up on a historic intercept of 5.97 g/t Au over 10.0 metres, returned 6.24 g/t Au over 10.5 metres. These two holes are approximately 150 metres apart. Four additional drill holes were completed over this area after the completion of an IP geophysical survey. Quartz veined and altered and mineralized rock was intersected in all four holes. Hole H-11-31, which tested the Bouéré zone approximately 50 metres below the intercept in hole H-10-41 returned 18.3 g/t Au over 24.9 metres. Hole H-11-33, which was drilled approximately 50 metres below H-10-42 returned 5.80 g/t Au over 11.0 metres. Holes H-11-31 and holes H-11-33 were drilled approximately 150 metres apart; two holes should be drilled mid-point between these holes to determine if the mineralized zone continues between these holes. The remaining holes, H-11-32 and H-11-34, which were drilled 100 metres to the east and west of holes H-11-31 and H-11-33 returned modest values with a best intercept of 3.20 g/t Au over 1.1 metres.

Kueredougou Zone

In 2010, Avion tested the Kueredougou zone with five holes, one of which returned 21.13 g/t Au over 4.0 metres. This zone lies in the middle of the southern concession block. Historic drill intercepts from this zone returned highlight intercepts of 83.35 g/t Au over 4.0 metres and 9.24 g/t Au over 13.0 metres. Avion believes that the Kueredougou zone correlates extremely well with an open ended induced polarization (IP) chargeability geophysical anomaly that has been traced for approximately three kilometres along strike. Drilling has tested about a third of the geophysical anomaly. The IP survey has also identified at least six additional geophysical anomalies that require follow-up. The Kueredougou zone is hosted by a sheared, intensely sericite-, carbonate- and sulphide-altered mafic fragmental at the contact between massive mafic flows and more fragmental volcanic rocks.

Diosso South Zone

The Diosso South zone returned intercepts, from 2010 drilling, of up to 2.18 g/t Au over 8.5 metres. The Diosso South zone lies near the south central part of the southern block of the Houndé concessions. Previous drill holes intersected the Diosso South zone for 500 metres along strike to approximately 65 metres depth. Highlights of the six historic holes that intersected the Diosso south zone include 3.44 g/t Au over 14.0 metres and 2.72 g/t Au over 20.0 metres. The Diosso South zone is hosted by sericitized and quartz veined mafic volcanic rocks and appears to be part of the same shear zone system that hosts the Kueredougou zone.

Douhoun Zone

The Douhoun zone is located approximately 14.5 kilometres north-northwest of the Vindaloo zone. The Douhoun zone has been traced by drilling for 400 metres along strike and is open to the north, south and to depth. Previous drilling has returned intercepts to 4.86 g/t Au over 17 metres. Avion's drilling returned 2.63 g/t Au over 5.3 metres in hole H-10-39 and 7.80 g/t Au over 3.4 metres in hole H-10-40 at Douhoun Zone. The zone is a quartz vein/quartz breccia system hosted by a mixture of mafic volcanics and intrusions. The Douhoun zone is open along strike and to depth with clear evidence of parallel and cross-cutting zones of mineralization.

Grand Espoir Zone

The Grand Espoir zone lies approximately 16.8 kilometres northwest of the Vindaloo zone. Previous rotary air blast holes in the area returned up to 2.26 g/t Au over 12.0 metres. Avion completed four follow-up holes in this area with one hole returning a wide zone of gold mineralization with an intercept of 0.55 g/t Au over 33.7 metres. The Grand Espoir area is underlain by a mixture of felsic intrusion and mafic volcanic breccia. A 15 km long IP

survey was completed over the Grand Espoir area; several anomalies require drill follow-up. In 2011 Avion drilled three holes in the Grand Espoir area prior to the drill being moved back to the Vindaloo area. No significant results were returned from these holes which tested new geophysical targets.

Current Mineral Resources

Tabakoto Project

During 2011, Avion carried out a US\$ 6.2 million dollar, exploration drill program over the Tabakoto Project area. During 2011, approximately 31,339 metres of drilling in 262 holes have been completed. The remaining program focused on continuing to define the mineralized cross-structures north and south of the Tabakoto Pit, continuing to define the open pit and underground potential of the Dioulafoundou zone, testing both the western and eastern strike extents of the Ségala Main zone to depth, tracing the Djambaye II zone along strike and to depth, and trenching over the Dar Salam zone.

At the Tabakoto Project, open pit mineral resources have been defined in six deposits: Dioulafoundou, Tabakoto South/Dabo, Djambaye II, Dar Salam and just north of the Tabakoto pit.

The majority of the underground mineral resources are currently defined below and near to the Ségala Main and Tabakoto pits. Avion will continue to work toward converting Inferred mineral resources to Measured and Indicated mineral resources with in-fill drill holes and will further test the Ségala Main and Tabakoto zones to depth. Additional underground mineral resources have been defined at Dioulafoundou, Djambaye II, Ségala NW and Dar Salam; more drilling is required in these four zones to define sufficient underground mineral resources to support underground mining.

In order to document the Tabakoto Project resources, Avion, in 2011, with the assistance of Antoine Yassa, P.Geo. of P&E Mining Consultants Inc. (P&E), first interpreted the zones with a 0.5 g/t Au to 1 g/t Au grade shell to define open pit resources and then defined a 2.0 g/t Au grade shell to define underground resources. This zone definition was then provided to P&E who has carried out a site visit, collected verification samples, finalized the mineralization wire frames and updated the deposit mineral resources. The updated mineral resource capped gold assays at 15 to 50 g/t Au, depending on the individual zone. A 2.0 g/t Au cut-off grade was used to determine underground mineral resources, and for potentially open pit resources, a 1.0 g/t Au cut-off grade was used.

On May 10, 2012, Avion completed an updated mineral resource and reserve estimate for the Tabakoto Property. As in 2011, Avion with the assistance of Antoine Yassa, P.Geo. of P&E Mining Consultants Inc. (P&E), interpreted the Tabakoto NE, Tabakoto NW and Tabakoto South/Dabo underground mineralized zones with a 2.0 g/t Au grade shell to define underground mineral resources. Avion then completed a mineral resource estimate which was then used to define underground reserves. Avion also re-defined the Djambaye II zone mineral resources using a 1 g/t Au cut-off, to provide an updated mineral resource estimate which was used to update the Djambaye II open pit mineral reserves. The reserves and resources for the Dioulafoundou and Segala NW pit were adjusted based on mining drawdown during 2011. New open pit and underground mineral resources were determined for the Segala Main West zone and the Segala NW zones by Avion using the above model design parameters for open pit and underground resources. Mineral resource estimates for the Segala Main and Dar Salam zones were not updated from the previously developed model, presented on December 30, 2010.

During 2011, Avion continued to focus on delineating higher grade cross-structures in the Tabakoto pit area, defining additional open pit and underground mineral resources at Dioulafoundou, and better defining the near surface resources at the northern end of the Djambaye II zone. Avion's current mineral resources are concentrated above 300 metres vertical depth from surface with most zones open down plunge and to some extent along strike. Thus, management believes that the likelihood of adding additional resources in the future is high.

Open Pit Mineral Resources

At the Tabakoto Project, open pit resources have been defined in six deposits. The currently estimated (as of January 1, 2012) open pit Measured and Indicated mineral resources include 1,658,000 tonnes grading 3.57 g/t

Au containing 190,100 ounces of gold and open pit Inferred resources of 1,591,000 tonnes grading 2.91 g/t Au containing 149,000 ounces of gold. Open pits have been designed for the Dioulafoundou, Tabakoto South/Dabo and Djambaue II zones using Whittle software. Additional drilling and trenching will be carried out at the Dar Salam south zone prior to designing open pits in these areas. More drilling is also required along the Djambaye II trend which has some large gaps between drill holes and is open to the north and south. Of particular interest are those areas where the gold mineralized Tabakoto cross structures would intersect the Djambaye II trend.

Dioulafoundou hosts remaining open pit Indicated mineral resources estimated to be 138,000 tonnes grading 6.02 g/t comprising 26,700 ounces of gold. Underground Indicated mineral resources comprise 155,000 tonnes grading 5.26 g/t Au totalling 26,300 ounces of gold and underground Inferred mineral resources comprise 514,000 tonnes grading 6.08 g/t Au totalling 100,500 ounces of gold. Mining of the open pit commenced in October 2010. Additional drilling will be required to convert the Inferred underground mineral resources to Measured and Indicated mineral resources.

Underground Mineral Resources

Underground mineral resources are currently focused below and near to the Ségala Main and Tabakoto pits with mining and development being carried out at Tabakoto and development being carried out at Segala in 2012. Avion will continue to work toward converting Inferred mineral resources to Measured and Indicated mineral resources with in-fill drill holes and will further test the Ségala Main and Tabakoto zones to depth. Additional underground resources have been defined at Dioulafoundou, Djambaye II and Dar Salam zones; more drilling is required in these three zones in order to define sufficient underground resources to support underground mining.

Kofi Project

Avion had acquired the Kofi Project which contained estimated Indicated mineral resources of approximately 3.6 million tonnes grading 2.5 g/t Au totaling 293,000 ounces Au (Roberts, 2008, 43-101 compliant report)¹. In addition, the Kofi property hosts total Inferred mineral resources of approximately 5.26 million tonnes grading 2.2 g/t Au totaling 368,000 ounces (December 11, 2007 Axmin news release, Roberts, 2008 43-101 compliant report¹). Avion owns a 93.75% interest in the concessions (this is in respect to Kofi Nord) that host the above mineral resources prior to any carried government ownership, upon commencement of production. Fieldwork commenced on this project in August 2010. The concession that includes all of the historic resources has been transferred to an Avion controlled company in Mali. Avion updated the resources on the Kofi Project on January 18, 2012 based on drilling carried out by Axmin and by Avion in 2010 and 2011. A summary of the current project resources are presented below.

Mineral Resource Estimate⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾

+	INDICATED			INFERRED		
	Tonnes	Grade Au g/t	Ounces Au	Tonnes	Grade Au g/t	Ounces Au
BETEA ZONES	3,029,000	1.74	169,200	7,266,000	1.65	385,700
KOFI C	3,441,000	2.72	300,900	1,947,000	2.06	129,000
A ZONE	10,000	1.46	500	462,000	1.77	26,300
B ZONE	339,000	2.17	23,700	1,536,000	1.58	77,800
BLANAID A LINEAR	82,000	2.06	5,400	499,000	2.32	37,200
				645,000	2.22	46,000
TOTAL	6,901,000	2.25	499,700	12,355,000	1.77	702,000

(1) Resource estimates based on a gold price of US\$1,350 per ounce, a 90% process recovery, mining costs of US\$1.50/tonne, process costs of US\$15/tonne and General & Administrative costs of US\$4.00 per tonne were used to determine the 0.5 g/t Open Pit cut-off grade.

- (2) Gold grades were estimated in a 5m x 5m x 5m and 5m x 5m x 10m block models from capped 1.5m composites utilizing inverse distance cubed interpolation. Composites were capped up to 50 g/t depending on the individual mineralized domain.
- (3) Eugene Puritch, P.Eng. and Antoine Yassa, P.Geo. from P&E Mining Consultants Inc., Qualified Persons under NI 43-101 who are independent of the Company, are responsible for the mineral resource estimates presented herein.
- (4) Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
- (5) The quantity and grade of reported inferred mineral resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred mineral resources as Indicated or Measured mineral resources and it is uncertain if further exploration will result in upgrading them to indicated or measured mineral resource categories.
- (6) The mineral resources in this MD&A were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council. The effective date of this mineral resource estimate is December 21, 2011.

For reference, an open pittable sensitivity to the mineral resource at a 1.0 g/t Au cut-off grade was also calculated. A 1.0 g/t Au cut-off is consistent with the Axmin's historic resource estimate for Kofi (Roberts1, 2008) and Avion previous practice at the Tabakoto Mine.

1.0 g/t Au Cut –Off Sensitivity to the Mineral Resource Estimate

1.0 g/t Au Cut-off	INDICATED			INFERRED		
	Tonnes	Grade Au g/t	Ounces Au	Tonnes	Grade Au g/t	Ounces Au
BETEA ZONES	1,925,000	2.32	143,300	4,491,000	2.21	319,000
KOFI C	2,476,000	3.50	278,400	1,254,000	2.78	112,200
A ZONE	4,000	2.66	300	317,000	2.23	22,700
B ZONE	224,000	2.90	20,900	988,000	2.03	64,600
BLANAID	55,000	2.68	4,700	392,000	2.74	34,500
A LINEAR				482,000	2.69	41,700
TOTAL	4,684,000	2.98	447,600	7,924,000	2.33	594,700

Houndé Project

Avion announced on October 26, 2010 an initial mineral resource estimate for the Vindaloo zone on the Houndé Property in Burkina Faso. Highlights of the Vindaloo initial resource estimate at a 1.0 g/t Au cut-off grade defined within an optimized pit shell are as follows: 883,000 tonnes Indicated mineral resources at 2.23 g/t Au totaling 63,000 ounces gold⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ and 5,725,000 tonnes Inferred mineral resources at 2.97 g/t Au totaling 547,000 ounces gold. Drilling has continued to extend the zone to the north and south beyond the limits of the above mineral resource estimate.

1. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues and are subject to the findings of a definitive feasibility study.
2. The quantity and grade of reported inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category.
3. The Vindaloo Zone Resource Estimates were prepared by Eugene Puritch, P. Eng. and Antoine Yassa, P. Geo. from P&E Mining Consultants Inc., Qualified Persons under NI 43-101 who are independent of the Company
4. The mineral resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council December 11, 2005.

5. The gold price used in this estimate was the June 30, 2010 two year trailing average of US\$1,027/oz. Au recovery was 92% and mining costs were US\$2.75/tonne of ore and US\$1.50/tonne of waste. Processing and general and administration costs combined were US\$30/tonne. Pit optimization slopes were 50 degrees.

Avion updated the mineral resource estimate on the Houndé Property on December 21, 2011 based on drilling carried out in late 2010 and in 2011.

Mineral Resource Estimate⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾

Cut-off	CATEGORY	TONNES	Au g/t	Au OUNCES
0.5 g/t Au	Indicated	13,407,000	2.07	893,000
	Inferred	10,717,000	2.07	712,000

- (1) Resource estimates based on a gold price of US\$1,350 per ounce, a 90% process recovery, mining costs of US\$1.50/tonne, process costs of US\$15/tonne and General & Administrative costs of US\$4.00 per tonne were used to determine the 0.5 g/t Open Pit cut-off grade.
- (2) Gold grades were estimated in a 5m x 5m x 5m block model from capped 1.5m composites utilizing inverse distance cubed interpolation. Composites were capped up to 30 g/t depending on the individual mineralized domain.
- (3) Eugene Puritch, P.Eng. and Antoine Yassa, P.Geol. from P&E Mining Consultants Inc., Qualified Persons under NI 43-101 who are independent of the Company, are responsible for the mineral resource estimates presented herein.
- (4) Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
- (5) The quantity and grade of reported inferred mineral resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred mineral resources as indicated or measured mineral resources and it is uncertain if further exploration will result in upgrading them to indicated or measured mineral resource categories.
- (6) The mineral resources in this press release were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council. The mineral resource estimate is as at December 21, 2011.

For reference an open pit mineral resource sensitivity at a 1.0 g/t cut-off grade was also calculated.

1.0 g/t Au Cut –Off Sensitivity to the Mineral Resource Estimate

Cut-off	CATEGORY	TONNES	Au g/t	Au OUNCES
1.0 g/t Au	Indicated	9,846,000	2.55	808,000
	inferred	7,493,000	2.63	634,000

Current Mineral Reserves

Tabakoto Project

In May 2012, the Company updated the mineral resource and mineral reserve estimation for nine deposit groups and several ore stockpiles that comprise the Tabakoto Project in Mali, West Africa. The mineral reserves and mineral resource estimates have been determined as of January 1, 2012, with highlights as follows:

- **Tabakoto Project underground Proven and Probable mineral reserves comprise 4,606,000 tonnes grading 4.49 g/t Au for 664,600 ounces of gold.**
- **Tabakoto Project open pit and stockpiled Proven and Probable mineral reserves comprise 2,300,000 tonnes grading 2.20 g/t Au for 162,500 ounces of gold.**
- **Total mineral reserves comprise 6,906,000 tonnes grading 3.73 g/t Au for 827,100 ounces of gold.**
- **Total post-reserve additional Measured and Indicated mineral resources comprise 1,964,000 tonnes at 4.62 g/t Au containing 292,100 ounces of gold.**

- Total additional Inferred mineral resources comprise 7,598,000 tonnes at 4.57 g/t Au containing 1,117,400 ounces of gold.

The mineral reserve estimate (see tables below) for the Tabakoto Project demonstrates several sources of open pit and underground mineral reserves that provide significant flexibility for Avion's mining plans. The Company is currently transitioning from an open pit mining operation to primarily an underground mining operation with open pit mining to serve as contingency mill feed.

Mineral Reserve Estimates⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾

ZONE	CATEGORY	TONNES	GRADE g/t Au	OUNCES GOLD	TYPE	
Tabakoto NE	Proven	91,000	5.42	15,800	UG	
	Probable	743,000	4.09	97,600	UG	
	Subtotal	834,000	4.23	113,400	UG	
Tabakoto NW	Proven	142,000	5.16	23,600	UG	
	Probable	274,000	5.00	44,000	UG	
	Proven	18,000	3.93	2,300	OP	
Tabakoto South /Dabo	Probable	13,000	4.45	1,900	OP	
	Subtotal	447,000	5.00	71,800	UG & OP	
	Proven	104,000	5.81	19,300	UG	
	Probable	361,000	4.73	54,900	UG	
	Subtotal	465,000	4.96	74,200	UG	
Ségala Main	Proven	18,000	4.33	2,400	UG	
	Probable	2,873,000	4.41	407,000	UG	
	Subtotal	2,891,000	4.40	409,400	UG	
Ségala NW	Proven	21,000	2.28	1,500	OP	
	Probable	0	0.00	0	OP	
	Subtotal	21,000	2.22	1,500	OP	
Djambaye II	Proven	0	0.00	0	OP	
	Probable	806,000	3.23	83,800	OP	
	Subtotal	806,000	3.23	83,800	OP	
Dioulafoundou	Proven	39,000	4.39	5,500	OP	
	Probable	112,000	5.86	21,200	OP	
	Subtotal	151,000	5.50	26,700	OP	
STOCKPILES						
	ROMPAD	Proven	31,000	1.70	1,700	SP
	Ségala Main Pit Low Grade	Proven	833,000	1.08	28,800	SP
	Tabakoto Pit Low Grade	Proven	221,000	1.48	10,500	SP
Dioulafoundou Pit Low Grade	Proven	132,000	0.77	3,300	SP	
Tabakoto South Pit Low Grade	Proven	49,000	0.78	1,200	SP	
Tabakoto UG Low Grade	Proven	25,000	1.05	800	SP	

Summary Of Mineral Reserve Estimates By Mine Type⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾

TYPE	CATEGORY	TONNES	GRADE g/t Au	OUNCES GOLD
Underground	Proven	355,000	5.35	61,100
	Probable	4,251,000	4.42	603,500
	Subtotal	4,606,000	4.49	664,600
Open Pit	Proven	78,000	3.71	9,300
	Probable	931,000	3.57	106,900
	Subtotal	1,009,000	3.58	116,200
Stockpile	Proven	1,291,000	1.12	46,300
	Probable	0	0.00	0
	Subtotal	1,291,000	1.12	46,300
GRAND TOTAL	Proven	1,724,000	2.11	116,700
	Probable	5,182,000	4.26	710,400
	Total	6,906,000	3.73	827,100

- (1) The Mineral Reserves have been classified in accordance with requirements of NI 43-101 and the CIM standards. Mineral Reserve estimates are based on a gold price of USD\$1,183 per ounce and a 94% process plant recovery. Additional parameters used to define the reserves are presented in a NI 43-101 compliant report filed on SEDAR on August 17, 2011.
- (2) Andrew Bradfield, P.Eng. and Don Dudek, P.Geo. Sr. Officers of Avion and Qualified Persons, as such term is defined under NI 43-101, are responsible for the Mineral Reserve estimates and have reviewed and approved the scientific and technical information in this document relating to those estimates.
- (3) The Mineral Reserves in this press release were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.
- (4) "UG" indicates Underground, "OP" Open Pit and "SP" Stockpile.
- (5) The estimate of mineral reserves may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.

A National Instrument 43-101 ("NI 43-101") compliant technical report on the Tabakoto Project issued on August 17, 2011, provides technical support for the above mineral reserve update. Changes in the underground mining method at Tabakoto from Avoca style to conventional longhole sublevel stoping resulted in more pillars being left in the ore and an approximate 3% reduction in mineral reserves. Additionally, several of the ore zones have been modeled at narrower widths than were previously modeled resulting in less tonnes and higher dilution.

Avion is currently planning to increase its gold production to a rate of 200,000 ounces per year. The current mineral reserve estimate of 827,100 ounces of gold represents over four and a half years of mine life based on Avion's current projected production. In 2011, Avion produced 91,200 ounces of gold.

Over the past two years, Avion focused on delineating higher grade cross-structures in the Tabakoto pit area, defining additional open pit and underground mineral resources at Dioulafoundou, and better defining the near surface resources at the northern end of the Djambaye II zone. Avion's mineral reserves are concentrated above 300 metres vertical depth from surface, with all zones open down plunge and to some extent along strike. Management believes that the likelihood of adding additional mineral reserves in the future is high.

Avion's mineral reserves comprise a mix of open pit and underground reserves. In management's opinion, this combination of source material provides tremendous flexibility as the Company transitions from primarily an open pit mining operation to primarily an underground mining operation.

In combination with the current mineral reserves, additional estimated Measured and Indicated mineral resources, after reserve estimation, of 1,964,000 tonnes at 4.62 g/t Au containing 292,100 ounces of gold and Inferred mineral resources of 7,598,000 tonnes at 4.57 g/t Au containing 1,170,400 ounces of gold have been defined in several deposits. Of these resources, there are Measured and Indicated open pit mineral resources of 738,300

tonnes grading 2.75 g/t Au totaling 65,000 ounces of gold and Measured and Indicated underground mineral resources of 1,226,000 tonnes grading 5.76 g/t Au totaling 226,900 ounces of gold. Inferred open pit mineral resources total 1,591,600 tonnes grading 2.91 g/t Au totaling 149,000 ounces of gold and Inferred underground mineral resources totaling 6,007,000 tonnes grading 5.01 g/t Au totaling 968,400 ounces of gold. These mineral resources have not yet been supported by open pit or underground mine plans, and require additional work to convert to mineral reserves and to upgrade the Inferred mineral resources to Measured and Indicated mineral resources. Avion management believes that there is a reasonable likelihood of upgrading a significant portion of these mineral resources to mineral reserves with further drilling and exploration work.

Technical Data on Mineral Reserves

Tabakoto Deposit

The Tabakoto Deposit consists of 18 modeled northwest trending (NW Tabakoto zones) mineralized structures and 14 modeled northeast-trending zones (NE Tabakoto zones, Tabakoto M zones, Tabakoto South Zone and Dabo zone). Of these zones, seven of the best developed mineralized structures (NE1, NE2, NE hanging wall, NW1, NW2, Tabakoto South and Dabo) were drill tested to approximately 300 metres depth. All zones are open to depth. Additional, un-modeled, mineralized structures have been noted below the Tabakoto pit and north and south of the Tabakoto pit. Avion is currently mining and advancing two mine declines under the Tabakoto pit with the northern portal targeting the northwest-trending zones and the southern portal targeting the northeast-trending zones. Two core drills continue to define the gold-bearing structures with a goal to add additional mineral resources and to provide enough information for drift development of the mineralized structures.

Dioulafoundou Deposit

The Dioulafoundou mineralized system consists of two stronger gold mineralized zones and several, smaller, parallel gold mineralized zones. The strongest of the zones, the Dioulafoundou NW1 zone, has been traced for approximately 400 metres along strike and to approximately 325 metres depth. A second parallel zone of gold mineralization, the Dioulafoundou NW2 zone, lies approximately 60 metres to the south and has been traced for approximately 190 metres along strike and to approximately 300 metres depth. Both zones are steeply dipping, steep east plunging and open down plunge and to a lesser extent, to the east. Since the bulk of the mineral resources below the open pit are in the Inferred category, drilling is planned to upgrade these resources to Measured and Indicated status to determine if sufficient underground mineral resources are present to support a third underground mine.

In-pit mapping has located a fault at the western end of the Dioulafoundou deposit which suggests that the zone may have been faulted to the south. Drilling is planned to test this concept.

Ségala Deposit

The Ségala Deposit consists of the Ségala Main, Ségala NW and Ségala Main West zones. The Ségala Main West zone represents a westerly extension of the Ségala Main deposit. The Ségala Main deposit provided the bulk of the mill feed over Avion's first two production years. This zone has been traced for 350 to 400 metres along strike and remains open at depth on the Ségala Main Zone with intersections as deep as 600 metres below surface. Avion also believes there is a reasonable expectation that additional mineral resources can be defined between 300 metres to 600 metres below surface and below the 600 metre level. The Ségala NW zone has been traced for approximately 550 metres along strike and is open below approximately 325 metres depth. A modest amount of additional open pit resources have been defined a Ségala NW and Ségala Main West zones with open pit resources defined as those mineral resources located within 50 metres of surface. Additional drilling and preliminary Whittle Pit review is required before determining if open pit reserves can be delineated. Drilling to further develop the depth potential will be carried out prior to defining mineral reserves.

Djambaye II Deposit

The Djambaye II mineralized structure/zone dips at -70 degrees to the east and has now been traced by drilling for approximately 4,400 metres and is still open to the north, south and below 200 metres depth. Locally the Djambaye II zone comprises two parallel zones and there is local evidence of gold-bearing cross structures. The

Djambaye II zone is the longest continually mineralized structure on the Tabakoto Project and provides an excellent opportunity to define additional open pit and underground mineral resources. Current open pit mineral reserves are for an approximately 1,000 metre long section at the north end of the Djambaye II zone. A review of the sectional data indicates that the currently designed pit depth and extent is limited by a lack of drilling data verses an end to the mineralization. Additional drilling with a focus on converting Inferred open pit mineral resources to Measured and Indicated open pit resources is a priority. As well, based on results to date, management believes that there is a reasonable potential to define sufficient underground mineral resources at Djambaye II to consider underground mining in the future.

Dar Salam

Four mineralized zones comprise the Dar Salam Deposit; the South, North, NE Orpillage and Moralia Zones. The Dar Salam South extends over a strike of 630 metres north south, has variable widths of between two and 25 metres and continuity of mineralization to a depth of at least 300 metres. Mineralization in this zone is similar to that seen at Tabakoto and is most likely an extension to the Tabakoto system. The Dar Salam North Zone comprises several north-northeast trending low grade gold zones, up to a combined width of 35 metres, that extend along a strike for more than 500 metres and are open to the north and to depth. Within this area there is a higher grade central core that has an average width of five metres, dips steeply to the east and extends to a depth of at least 140 metres. The Moralia Zone extends over a strike of 125 meters northeast, has an average width of two metres and continuity of mineralization to a depth of at least 100 metres dipping east. The NE Orpilleur Zone extends over a northerly strike of 150 metres, dips steeply east, has an average width of five metres and continuity of mineralization to a depth of at least 185 metres. Recent artisanal mining activity indicates that the zone is open to the south. Additional drilling is planned over the Dar Salam South zone to provide sufficient information for the design of an open pit.

QA/QC Procedures

Avion's procedures for handling drill core and reverse circulation chips are consistent with international standards and comprise initial description and logging into a Microsoft Access or an Excel database. Mineralized and suspected mineralized intervals in the holes are described in detail and marked for sampling. Core is then cut in half with the right-hand portion of the core put into plastic sample bags and sealed. Assay standard samples are inserted every 20th sample and split core from every 20th sample is also quartered and sent in as a separate sample to double check the assays from these intervals. This sampling procedure was initiated and periodically reviewed by Avion's Senior Vice President Exploration, Don Dudek, P. Geo. These samples were then delivered to a representative of SGS Mineral Service based in Kayes, Mali, to SGS Mineral Service based in Ouagadougou, Burkina Faso and to Avion's mine lab at the Tabakoto Mine. The assay samples are then crushed to 2 mm with riffle split if required to 1.5 kg, the entire sample milled in a LM2 mill to a nominal 95% passing 75µm. All the preparation equipment is flushed with barren material prior to the commencement of the job. Gold values were determined by Fire Assay and AAS with a 50 gram nominal sample weight. Some of Avion's reverse circulation chips and drill core samples were analyzed at Avion's Tabakoto mine laboratory. In order to ensure that local, exceptionally high grade assays are not overly represented in assay composites Avion is also presenting assay composites with high grade samples capped at 27.5 g/t Au, which is the capping level deemed appropriate for the Ségala Main Deposit and 32.0 g/t Au for the Tabakoto Deposit (see Avion's December 12th, 2008 news release) and from 2.25 g/t Au to 50 g/t Au for Dioulafoundou. Exploration holes are capped at 30 g/t Au.

MINING OPERATION REVIEW

2012 First Quarter production results

Avion produced 26,256 ounces of gold during Q1-2012, which is a 30% increase compared to the 20,272 ounces produced in Q1-2011. The Tabakoto plant processed 225,729 tonnes of ore at an average grade of 4.02 g/t Au and the average mill recovery for Q1-2012 was 90.2%. This compares to Q1-2011 production of 180,800 tonnes of ore at an average grade of 3.64 g/t Au and an average mill recovery of 96.2%. The production of ounces from underground mining has increased to 51% in Q1-12 compared to 16% in 2011. The shift from open pit mining to underground mining has resulted in an increase in the cash cost per ounce.

Production in 2011 was 91,200 ounces of gold after final refinery adjustments. 838,800 tonnes of ore were processed at an average grade of 3.59 g/t Au, and an average mill recovery of 94.6%.

2010 production was 705,900 tonnes of ore processed at an average grade of 4.02 g/t Au, and an average mill recovery of 96.5%, for a total of 87,631 ounces of gold after final refinery adjustments.

Production in 2009 was 51,291 ounces of gold. 562,800 tonnes of ore were processed at an average grade of 2.95 g/t Au, and an average mill recovery of 95.4%.

LIQUIDITY AND CAPITAL RESOURCES

Avion finances operations primarily through metal sales. However, the Company has raised funds during Q1-2012 through the sale of gold call options in order to fund further exploration, underground development and the mill plant expansion.

The Company is carrying debt in the amount of 16,763,420,171 FCFA (US\$34,681,383) which has been provided by Banque Atlantique Mali S.A., a subsidiary of Atlantic Financial Group ("AFG"). Funds are drawn down and repaid in FCFA's. The facility is available for a 3 year term with an annual interest rate of prime minus 3%, currently 7%. Repayments commence in June 2012. Interest paid in relation to this debt is being capitalized to mining plant, property and equipment.

In February 2012, the Company sold twelve gold call options that entitle the buyer, a financial institution, to purchase approximately 36,396 ounces of gold over 12 consecutive quarters starting on June 1, 2012 and ending on March 1, 2015. Each call option entitles the buyer to purchase 3,033 ounces of gold at a set price. The first four call options are priced at \$700/oz and the eight remaining call options are priced at \$900/oz. The settlement of the options are in cash as there is no exchange of physical gold between the Company and buyer. In exchange, the Company received a cash consideration of \$25,000,000. The proceeds will enable the Company to fund the completion of the mill expansion and other general working capital.

At March 31, 2011, the Company had \$41,175,790 in cash and cash equivalents, and working capital of \$19,176,962. The Company anticipates the costs with respect to the expansion plans to be within budget. However, the Company is subject to uncontrollable factors including highly fluctuating exchange rates, political instability in Mali and inflationary pressures on commodities such as steel which could materially impact the Company's forecasts.

RESULTS OF OPERATIONS

For the three months ended March 31, 2012

The Company reported a net loss of \$6,189,551 (\$0.01 per share, basic and diluted) for the three months ended March 31, 2012 compared to income of \$12,564,705 (\$0.03 per share, basic and diluted) for the three months ended March 31, 2011.

During Q1-2012, the Company sold 19,460 ounces of gold and generated \$32,965,385 in gold sales revenue. In Q1-2011, 22,583 ounces of gold was sold generating \$31,489,868 in gold sales revenue. Mining and processing costs were \$19,048,663 (Q1-2011: \$13,017,240), and the Company recorded depletion and depreciation of \$5,055,950 (Q1-2011: \$1,560,056). The Company is amortizing deferred property, plant and equipment related to the Mali projects on a unit of production basis from the current mine plan. The Company was subject to a 6% royalty on metal sales during Q1-2012. Royalties expense totaled \$1,977,310 (Q1-2011: \$1,473,593) for the ounces of gold sold during Q1-2012. The Company previously bought out an aggregate 3% royalty in late 2009 and 2010 for a combined \$3,000,000 in cash, and shares and warrants worth \$1,107,116. These amounts have been deferred and are being amortized over the life of the mine.

The Company realized a cash cost per ounce produced of \$898 per ounce for Q1-2012 compared to \$462 for Q1-2011. Please see “Non-IFRS Measures” below.

Corporate and administrative expenses totaled \$2,309,666 for the quarter ended March 31, 2012 compared to \$1,067,176 for Q1-2011. The Company incurred higher professional costs during the quarter primarily higher audit costs and costs associated with financing efforts. Consulting and management costs were also higher in Q1-2012 compared to Q1-2011.

Non-cash share-based compensation expense for Q1-2012 was \$1,255,264 (Q1-2011: \$3,479,773) related to the estimated fair value of stock options that were granted and vested during Q1-2012. A total of 1,700,000 stock options were granted during Q1-2012 compared to 4,455,000 during Q1-2011. Share-based compensation was estimated using the Black-Scholes option pricing model as at the date of grant.

Other gains and losses included a foreign exchange loss of \$2,984,000 during Q1-2012 compared to a gain of \$1,477,495 during Q1-2011. The Company carried large liabilities denominated in FCFA during Q1-2012 as a result of the loan with Banque Atlantique as well as large accounts payables balances. The FCFA strengthened during the quarter, resulting in a foreign exchange loss.

The Company recorded an unrealized loss on the change in fair value of derivative liabilities of \$6,430,979 during Q1-2012 (Q1-2011: \$nil). This was in relation to the gold call options sold during the quarter.

SUMMARY OF QUARTERLY RESULTS

This summary of audited quarterly results has been prepared in accordance with IFRS as outlined below.

<i>in 000's</i>		Revenue	Income/ (loss)	Income per share (basic and diluted)	Income – Controlling Interest	Income per share (basic and diluted)– Controlling Interest
		\$	\$	\$	\$	\$
Q1-2012	31-Mar-12	33,060	(6,190)	(\$0.01)	(7,172)	(\$0.02) and (\$0.01)
Q4-2011	31-Dec-11	37,293	8,072	\$0.01	9,254	\$0.01
Q3-2011	30-Sep-11	36,948	7,228	\$0.02	5,040	\$0.01
Q2-2011	30-Jun-11	37,890	15,207	\$0.04	10,777	\$0.03
Q1-2011	31-Mar-11	31,788	12,565	\$0.03	10,744	\$0.03
Q4-2010	31-Dec-10	38,252	20,387	\$0.05	17,778	\$0.05
Q3-2010	30-Sep-10	31,789	14,449	\$0.05	12,571	\$0.04
Q2-2010	30-Jun-10	26,038	388	\$0.00	(1,359)	(\$0.00)

The Company's non-current financial liabilities include a closure and reclamation provision related to the Mali projects acquired at the end of May 2008. Management had reassessed the asset retirement obligation during 2011 using the service of a qualified third party and had recorded an increase during 2011. The estimated time to reclamation was also adjusted to 2019. In Q4-2010, the Company increased the amount of the estimate of the closure and reclamation provision, but also changed the estimated time to reclamation to the year 2022.

During Q3-2010, the Company acquired assets through a capital lease arrangement, thereby marginally increasing long-term liabilities. The Company continued to acquire assets through capital lease arrangements to increase their long-term liabilities.

During 2011, the Company drew down \$32,732,321 from a loan facility increasing long term liabilities. In Q1-2012, the Company sold call options further increasing long term liabilities by \$22,556,421.

CASH FLOWS

For the quarter ended March 31, 2012

During Q1-2012, operating activities provided \$4,241,905 in cash flows compared to \$15,397,626 during Q1-2011. Net working capital adjustments contributed to decreased operating cash flows during Q1-2012 compared to Q1-2011.

Cash from investing activities used \$10,813,501 during Q1-2012 compared to \$38,595,476 during Q1-2011. Expenditures on properties, plant and equipment used \$24,901,334 during Q1-2012 compared to \$36,649,198 during Q1-2011. This includes deposits and advances made on mining equipment, mill expansion and underground development. The Company spent \$3,194,464 during Q1-2012 on exploration and evaluation expenditures compared to \$2,570,680 in Q1-2011. Working capital adjustments used \$17,282,297 during Q1-2012 compared to providing \$624,402 during Q1-2011. During Q1-2012, significant funds were spent on the Company's three extensive capital programs being Tabakoto underground development, the mill expansion program and the exploration programs on both the properties in Mali and Burkina Faso.

Financing activities provided \$26,489,699 during Q1-2012 compared to \$3,092,074 during Q1-2011. The Company sold call options during Q1-2012 as discussed above raising \$25,000,000 (Q1-2011: \$nil). The Company raised \$940,393 through the exercise of stock options and warrants during Q1-2012 compared to \$3,395,883 during Q1-2011. The Company also drew down on their loan facility generating \$1,008,107 in cash during Q1-2012 (Q1-2011: \$nil). The Company paid \$458,801 against capital lease obligations during Q1-2012, compared to \$303,309 during Q1-2011. This was for mining equipment purchased for both the underground and open pit operations.

NON-IFRS MEASURES

Avion believes that investors use certain indicators to assess gold mining companies. The indicators are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared with IFRS. "Cash flow from operating activities before changes in non-cash working capital" is a non-IFRS performance measure which could provide an indication of the Company's ability to generate cash flows from operations, and is calculated by adding back the change in non-cash working capital to "Cash provided by (used for) operating activities as presented on the Company's consolidated statements of cash flows." "Cash cost per ounce produced" is a non-IFRS performance measure which could provide an indication of the mining and processing efficiency and effectiveness at the Mine. It is determined by dividing the relevant mining and processing costs excluding royalties by the ounces produced in the period. There may be some variation in the method of computation of "cash cost per ounce produced" as determined by the Company compared with other mining companies. In this context, "ounces produced" includes in-process and doré inventory along with ounces of gold sold in the period. "Cash costs per ounce produced" may vary from one period to another due to operating efficiencies, waste to ore ratios, grade of ore processed and gold recovery rates in the period.

The following table provides a reconciliation of mining and processing costs per the annual consolidated financial statements and cash operating for the purposes of calculating cash costs per ounce produced and total cash costs produced.

Cash costs per ounce produced and total cash costs produced

	Three months ended March 31, 2012	Three months ended March 31, 2011
Mining and processing expenses	19,048,663	13,017,240
By-product silver sales credit	(94,882)	(298,022)
Inventory movements and adjustments	4,617,965	(3,364,038)
Provision for government assessment for prior period payroll and other taxes	-	
Cash operating costs	23,571,746	9,355,180
Divided by ounces of gold produced	26,256	20,270
Cash cost per ounce produced	898	462
Royalties	1,977,310	1,473,593
Total cash cost per ounce produced	973	534
Operating cashflow	4,241,905	15,397,626
Operating cashflow per ounce produced	162	760

TRANSACTIONS WITH RELATED PARTIES

During the period, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods and services			
	Three months ended March 31,			
	2012		2011	
2227929 Ontario Inc.	\$	114,926	\$	86,401
Forbes & Manhattan, Inc.	\$	120,000	\$	19,433

The Company shares office space with other companies who may have common officers or directors. The costs associated with this space are administered by 2227929 Ontario Inc.

Mr. Stan Bharti, a director of the Company, is the Executive Chairman of Forbes & Manhattan, Inc., a corporation that provides administrative services to the Company. An administration fee of CAD\$40,000 per month is charged by Forbes & Manhattan, Inc. pursuant to a consulting agreement.

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
2227929 Ontario Inc.	\$ -	\$ 74,239	\$ 6,577	\$ -
Other (various)	7,079	30,307	-	-

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

DIRECTORS AND OFFICERS COMPENSATION

The remuneration of directors and other members of key management personnel during the period were as follows:

	Three months ended March 31,	
	2012	2011
Short-term benefits	\$ 713,372	\$ 324,829
Share-based payments	434,458	2,103,953

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

The Company has passed resolutions to compensate directors. The independent directors will receive \$20,000 annually for their role as directors. In addition, the Chairman of the Board of Directors will receive \$10,000 annually, while the Chairman of the Audit Committee will receive \$5,000 annually and the Chairmen of the Compensation Committee and Governance Committee will each receive \$2,500 annually.

SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares of which 442,575,593 were issued and outstanding as of May 15, 2012.

As of May 15, 2012, 25,333,850 options are outstanding at exercise prices ranging from \$0.20 to \$1.71 expiring between June 20, 2012 and May 7, 2017.

As of May 15, 2012, no warrants were outstanding.

Avion has no performance shares or escrow shares.

RISKS AND UNCERTAINTIES

The business of the Company is speculative due to the high-risk nature of gold mining in Africa. Investors should be aware that there are various risks, including those discussed below, that could have a material adverse effect on, among other things, the operating results, earnings, properties, business and condition (financial or otherwise) of the Company.

Nature of Mining, Mineral Exploration and Development Projects

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in mineral exploration, development and production, including incorrect geological analysis, differences between modeled and actual outcomes, environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Substantial expenditures are required to establish proven and probable Mineral Reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of Mineral Resources or Mineral Reserves. There is no certainty that the expenditures

made towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

Resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. For example, cut-off grades for the Company's deposit estimates are based on certain assumptions of plant recovery, gold value, mining dilution and recovery, along with operating and capital cost projections. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. In such case, estimated resources may have to be recalculated.

Foreign Operations

At present, substantially all of the operations of Avion are located in West Africa and, as a result, the operations of the Company are exposed to various levels of political, economic and other risks and uncertainties associated with operating in foreign jurisdictions. These risks and uncertainties include, but are not limited to, political and social instability (including coup d'etat); currency exchange rates; price controls; import or export controls; currency remittance; high rates of inflation; labour unrest; corruption, war, terrorism, robbery, uncertainties with the local legal system and respect of the rule of law; renegotiation or nullification of existing concessions, licences, permits and contracts; changes in taxation policies; restrictions on foreign exchange; changing political conditions; and governmental regulations that may require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in mining or investment policies or shifts in political attitudes in countries in which Avion conducts business may adversely affect the operations or profitability of the Company. The Company may become subject to local political unrest that could have a debilitating impact on operations, and at its extreme, could result in damage and injury to personnel and site infrastructure. In March 2012, members of Mali's military soldiers launched a coup d'etat and attacked several locations in the capital city of Bamako, including the presidential palace, state television, and military barracks. The soldiers, who said they had formed the National Committee for the Restoration of Democracy and State, declared that they had overthrown the government. The coup d'etat represents significant risk and uncertainty to the continued operations of the Company in Mali.

In 2009, there was local labour unrest at the Loulo mining operation located 25 kilometres to the northwest and political unrest in the North-eastern portion of Mali, more than 1,500 kilometres away, and the neighbouring countries which have included the kidnapping of foreign personnel. Such events could have a serious impact on the ability of the Company to continue operations. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements. Failure to comply with anti-corruption and antibribery legislation of Canada and other jurisdictions may result in significant fines and penalties. The occurrence of any of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations and profitability of Avion.

Failure to comply with applicable laws and regulations may result in enforcement actions and include corrective measures requiring capital expenditures, installing of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

During the year the Company, through its operating subsidiary in Mali, received a final tax assessment from the Malian government of approximately \$US4.2 million for the fiscal years ended 2005, 2006 and 2007. The Company has paid and accrued for the above noted amounts owed in respect of such final tax assessment due to the Malian government's imminent threats of shutting down the operations. At the end of 2011, the Company was further assessed for an amount of approximately \$US5.0 million (including penalties) pertaining to the fiscal year ended 2008. The 2008 notice of assessment has not been accrued, as the Company believes its provision for taxes is sufficient to cover this assessment, and in addition, the Company has challenged the 2008 assessment, as well as the earlier assessment, as it believes both are without merit.

Avion's securities may experience price volatility

Securities markets have recently had a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of Avion include macroeconomic developments locally and globally, and market perceptions of the attractiveness of particular industries. There can be no assurance that continued fluctuations in mineral prices will not occur. As a result of any of these factors, the market price of the securities of the Company at any given point in time may not accurately reflect the long term value of Avion. In the past, following periods of volatility in the market price of a company's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial cost and diversion of management attention and resources, which could significantly harm profitability and the reputation of Avion.

Failure to Meet Production Targets

Avion regularly announces certain production targets for its projects. The Company cannot give any assurance that such production targets will be met. Actual results and costs may vary from the estimates for a variety of reasons such as actual ore mined varying from estimates of grade, recovery, tonnage, dilution and metallurgical and other characteristics, revisions to production plans, risks and hazards associated with mining, industrial accidents, adverse weather conditions, unexpected labour shortages, strikes or other actions by unionized labour, or community organization equipment failures, restrictions imposed by government agencies, local political unrest, changes in power costs and potential power shortages, litigation and other interruptions in capabilities. Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to the Company's property or the property of others, monetary losses and legal liabilities.

Failure to achieve production targets or cost estimates could have a material adverse impact on prospects and overall performance of the Company.

Mineral Resource and Mineral Reserve Estimates May be Inaccurate

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond Avion's control. There is no certainty that the estimated levels of indicated gold mineralization will be realized. Such estimates are a subjective process, and the accuracy of any mineral resource and mineral reserve estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Estimates may require revision based on various factors such as actual production experience, market price fluctuations, results of drilling, metallurgical testing, production costs or recovery rates. These amounts are estimates only and the actual level of recovery of minerals from such deposits may be different and could have a material adverse effect on the Company's mineral reserve estimates, future cash flow, financial position and results of operations.

Mineral Prices

The Company's future profitability is largely dependent on mineral prices. Mineral prices have historically been volatile. Given the historic volatility of mineral prices, there is no assurance that the prices of gold, or any other mineral, will remain at economically attractive levels. Gold prices are affected by numerous factors beyond Avion's control, including the relative exchange rate of the U.S. dollar with other major currencies, global and regional demand, political and economic conditions, and production levels and costs. If, as a result of a decline in gold prices, projected revenues from gold sales were to fall below cash operating costs, the feasibility of continuing development and operations would be evaluated and if warranted, could be discontinued. If mineral prices and, in particular, the price of gold were to decline significantly or for an extended period of time, the Company might be unable to continue its operations, develop its projects or fulfill its obligations under its agreements with its partners or pursuant to its permits and licences. As a result, the Company may lose its interest in, or be forced to sell, its current properties, or its profitability and cash flow may be negatively impacted.

Current Global Financial Condition

Financial markets globally have been subject to increased volatility and certain governments are facing difficulties meeting their debt repayment obligations. Access to financing has been negatively affected by liquidity crises throughout the world and, more recently, uncertainties with respect to sovereign defaults. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company may

not be able to secure appropriate debt or equity financing, any of which could affect the trading price of the Company's securities in an adverse manner.

Limited Revenue and History of Operations

Avion does not have a lengthy history of operations. There is no assurance that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years with the continued development and possible expansion of the Company's operations.

Liquidity Concerns and Future Financings

The Company will require significant capital and operating expenditures in connection with the exploration and development of its properties. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favourable terms, if at all. Failure to obtain additional financing on a timely basis may cause Avion to postpone or slow down development plans, forfeit rights in some or all of the Company's properties or reduce or terminate some or all of its activities. Accordingly, the continuing development of the Company's properties may depend on its ability to obtain financing through the establishment of joint ventures or partnerships in respect of its projects, debt financing and equity financing and other means. There is no assurance that the Company will be successful in obtaining the required financing on terms acceptable to it, if at all.

Share Price Fluctuations

The market price of securities of many companies, particularly mining companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

Licenses and Permits, Laws and Regulations

The Company's exploration, development and mining activities require permits and approvals from various government authorities, and are subject to extensive laws and regulations governing exploration, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that the Company will be able to maintain or obtain all necessary licences, permits and approvals that may be required to explore and develop its properties or operate its mining facilities.

Environmental Regulation

Avion's activities are subject to extensive laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are becoming ever more stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Furthermore, any failure to comply fully with all applicable laws and regulations could have significant adverse effects on Avion, including the suspension or cessation of operations.

Title to Properties

The acquisition of title to Avion's properties is a very detailed and time-consuming process. The interests in the Company's projects have been granted to the Company's subsidiaries in the form of exploration and exploitation permits. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which Avion may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties. Avion notes that a number of artisanal miners occupy certain areas on the Company's projects. There is a risk that such artisanal miners could resist removal from the property and this would have a negative impact on Avion. The Company's discussions and negotiations with the artisanal miners to date have been positive and follow a methodology that was set up in the past by previous management, the previous operator of the project and the Government of Mali.

Uninsured Risks

The Company maintains insurance to cover normal business risks. Such insurance, however, contains exclusions and limitations on coverage. In the course of exploration, development and operation of mining activities, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire, earthquakes and terrorist attacks may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. In some cases, coverage is not available or is too expensive related to the perceived risk. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the common shares.

Competition

Avion competes with many other mining companies that have substantially greater resources. Such competition may result in Avion being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund the Company's operations and develop its properties. Avion's inability to compete with other mining companies for these resources would have a material adverse effect on its results of operations and business.

One of the strategies of Avion is to grow its business by acquiring attractive, quality mining assets. Avion expects to selectively seek strategic acquisitions in the future. However, there can be no assurance that suitable acquisition opportunities will be identified. Further, the ability of Avion to consummate and to integrate effectively any future acquisitions on terms that are favourable to it may be limited by the number of attractive acquisition targets, internal demands on the resources of the Company, competition from other mining companies and, to the extent necessary, Avion's ability to obtain financing on satisfactory terms, if at all.

Dependence on Outside Parties

Avion has relied upon consultants, engineers, mining contractors and others and intends to rely on these parties for exploration, development, construction and operating expertise. Substantial expenditures are required to construct and operate mines, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on Avion.

Qualified Personnel

Recruiting and retaining qualified personnel in the future will be critical to Avion's success. As Avion develops, the need for skilled labour will increase. The number of persons skilled in the exploration and development of mining properties is particularly limited in Africa and competition for this workforce is intense. The activities of the Company may be significantly delayed or otherwise adversely affected if it cannot recruit and retain qualified personnel as and when required.

HIV/AIDS, malaria and other diseases represent a serious threat to maintaining a skilled workforce in the mining industry throughout Africa, and may pose a healthcare challenge for the Company. There can be no assurance that Avion will not lose members of its workforce or experience decreased workforce man-hours or incur increased medical costs, which may have a material adverse effect on the operations of the Company.

Availability of Reasonably Priced Raw Materials and Mining Equipment

The Company will require a variety of raw materials in its business as well as a wide variety of mining equipment. To the extent these materials or equipment are unavailable or available only at significantly increased prices, the Company's production and financial performance could be adversely affected. Avion may also have difficulty sourcing or accessing required raw materials, equipment and inventory during the rainy season when access to the site may be reduced or impossible.

Conflicts of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting such participation. In particular, certain of the Company's directors and officers are also the officers and directors of other gold companies.

Community Action

The mining industry, as with many industries, is subject to community actions. In recent years, communities and non-governmental organizations have become more vocal and active with respect to mining activities at or near their communities. These parties may take action such as road blockades, applications for injunctions seeking

work stoppages and lawsuits for damages. These actions can relate to current activities but also in respect of previous mining activities by prior owners as well as the mining activities of adjacent or nearby property owners.

COMMITMENTS

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$6,600,000 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 \$2,200,000.

The Company has contracted to purchase fuel as required, however if the contract was terminated, the Company would be obligated to pay approximately \$500,000 at March 31, 2012. The Company has contracted for mining services at the Tabakoto and Ségala mine sites. Should the Company terminate the contract without cause, the Company will be liable for any costs incurred to date of termination, reasonable costs for demobilization and any other costs for which the contractor is legally liable as a result of the termination.

During 2011 the Company, through its operating subsidiary in Mali, received a final tax assessment from the Malian government of approximately \$4,200,000 for the fiscal years ended 2005, 2006 and 2007. The Company has paid and accrued for the above noted amounts owed in respect of such final tax assessment due to the Malian government's imminent threats of shutting down the operations. At the end of 2011, the Company was further assessed for an amount of approximately \$5,000,000 (including penalties) pertaining to the fiscal year ended 2008. The 2008 notice of assessment has not been accrued for, as the Company believes the provision made is sufficient to cover this assessment, and in addition, the Company has challenged the 2008 assessment, as well as the earlier assessment, as it believes they are both without merit.

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company cannot reasonably predict the likelihood or outcome of these actions. The Company does not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the financial condition or future results of operations. As at December 31, 2011, provisions related to such matters totaling approximately \$875,000.

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

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 mining, development and 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 three months ended March 31, 2012.

FINANCIAL RISK FACTORS

Financial assets and financial liabilities as at March 31, 2012 were as follows:

March 31, 2012	Loans and receivables	Assets /(liabilities) at fair value through profit	Total
Cash and cash equivalents	\$ 37,900,859	\$ 3,274,931	\$ 41,175,790
Amounts receivable	1,879,683	-	1,879,683
Other financial assets	-	511,676	511,676
Accounts payable	46,111,032	-	46,111,032
Interest-bearing loans and borrowings-current	13,876,149	-	13,876,149
Interest-bearing loans and borrowings-non-current	21,360,525	-	21,360,525
Other financial liabilities current	1,660,607	8,874,558	10,535,165
Other financial liabilities non-current	2,420,263	22,556,421	24,976,684
Other payables	1,226,776	-	1,226,776

Derivatives:

The Company sold twelve call options that entitle the buyer to purchase 36,396 ounces of gold over 12 consecutive quarters starting on September 1, 2012 and ending on June 1, 2015. Each call option entitles the buyer to purchase 3,033 ounces of gold at a set price. The first four call options are priced at \$700/oz and the eight remaining call options are priced at \$900/oz. The settlement of the options are in cash as there is no exchange of physical gold between the Company and the buyer. In exchange, the Company received cash consideration of \$25,000,000. The following table reflects the fair value of these derivative liabilities as at March 31, 2012 based on forward gold prices as at March 31, 2012:

	Strike Price	No. of Oz	Fair Value
Current	\$ 700	9,099	\$ 8,874,558
Long-term	\$ 900	27,297	\$ 22,556,421
			<u>\$ 31,430,979</u>

The net loss recorded for the three months ended March 31, 2012 was \$6,430,979 (three months ended March 31, 2011: \$nil).

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 three months ended March 31, 2012.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table illustrates the classification of the Company's financial instruments within the fair-value hierarchy:

March 31, 2012	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents	3,224,931	50,000	-
Investments	511,676	-	-
Derivative liabilities, current and long-term	-	31,430,979	-

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, 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 sales taxes due from the Government of Canada, Value Added Tax from foreign governments, employee advances and reimbursable costs, and gold sales receivables. Fuel duty recoverable is due from 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, 2012, the Company had a cash and cash equivalents balance of \$41,175,790 (December 31, 2011: \$21,221,440) to settle current liabilities of \$71,749,122 (December 31, 2011: \$27,744,224).

Market risk

(a) Interest rate risk

The Company has cash and cash equivalent balances at March 31, 2012. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by Canadian banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. A significant portion of the Company's interest-bearing debt accrues interest at prime minus 3%.

(b) Currency risk

The Company's functional and reporting currency is the United States dollar. The Company funds certain operational expenses in Africa using the CFA Francs ("FCFA") and the Euro currencies, as well as corporate expenses in Canadian dollars. The Company's Malian subsidiaries operate in FCFA which is fixed with the Euro. The Company also has a debt payable in FCFA.

Gold sales are paid in United States dollars.

The three main types of foreign exchange risk of the Company can be categorized as follows:

i) Transaction exposure

The Company's operations incur costs in different currencies. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company has not hedged its exposure to currency fluctuations.

ii) Exposure to currency risk

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the United States dollar (all amounts presented in United States dollars):

Balances as at March 31, 2012	CAD\$	FCFA	GBP	Australian dollar
Cash and cash equivalents	3,832,110	(1,683,496)	-	-
Amounts receivable	200,169	6,221,529	-	-
Fuel duty recoverable	-	5,131,909	-	-
Investments	511,675	-	-	-
Accounts payable and accrued liabilities	(1,473,931)	(47,222,273)	(106,359)	-
Shareholder loan	-	(555,291)	-	-
Long term liabilities, current and long-term	-	(34,681,384)	-	-
Capital lease obligations	(745,233)	-	-	-
Provisions	-	(1,226,776)	-	-
Net balance sheet exposure	2,324,790	(74,015,782)	(106,359)	-

iii) Translation exposure

The Company's operations translate their operating results from the local countries' currency to United States dollars, the functional currency. Therefore, exchange rate movements in the United States dollar, Canadian dollar, Euro and FCFA can have a significant impact on the Company's consolidated operating results.

(c) Price risk

The Company's earnings and cash flows are subject to price risk due to fluctuations in the market price of gold and silver. World gold prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including:

- The strength of the US economy and the economies of other industrialized and developing nations;
- Global or regional political or economic crises;
- The relative strength of the US dollar and other currencies;
- Expectations with respect to the rate of inflation;
- Interest rates;
- Purchases and sales of gold by central banks and other holders;
- Demand for jewelry containing gold; and
- Investment activity, including speculation in gold as a commodity.

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.

The Company is also subject to price risk for fluctuations in the cost of energy, principally electricity and purchased petroleum products. The Company's production costs are also affected by prices of commodities it consumes or uses in its operations such as lime, reagents and explosives. The prices of such commodities are influenced by supply and demand trends affecting the mining industry in general and other factors outside the Company's control. The Company has entered into fuel contracts to mitigate this risk.

The Company is also subject to price risk for changes in the market price of its investments.

Sensitivity analysis

Foreign exchange risk

- (i) A 10% change in the United States Dollar exchange rate as at March 31, 2012 compared to the Canadian Dollar, with all other variables held constant, would impact the Company's net earnings by approximately \$211,000 based on net assets as at March 31, 2012.

- (ii) A 10% change in the United States Dollar exchange rate as at March 31, 2012 compared to the FCFA, with all other variables held constant, would impact the Company's net earnings by approximately \$6,700,000 based on net assets as at March 31, 2012.

Price risk

A 10% change in the average gold price during the quarter ended March 31, 2012 with all other variables constant, would have resulted in an impact to earnings of approximately \$3,300,000.

Interest rate risk

A 1% change in interest rates in Mali would result in an additional interest cost on debt of approximately \$340,000.

SUBSEQUENT EVENTS

Subsequent to March 31, 2012, the Company granted 400,000 stock options to a newly appointed officer of the Company with an exercise price of \$0.90 expiring five years from the date of grant.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

a) Critical Judgments in the Application of Accounting Policies

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred during the year for the respective operating mines and other exploration interests have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See the Company's condensed interim consolidated financial statements for the three months ended March 31, 2012 for details of capitalized exploration and evaluation costs.

Determination of economic viability of a project

Management has determined that costs associated with the mine expansion project under construction or developments have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise, existing permits and life of mine plans.

Commencement of commercial/operating level production

During the determination of whether a mine has reached an operating level that is consistent with the use intended by management, costs incurred are capitalized as mine properties, plant and equipment and any consideration from commissioning sales are offset against costs capitalized. The Company defines commencement of commercial production as the date that a mine has achieved a sustainable level of production that provides a basis for a reasonable expectation of profitability along with various qualitative factors including but not limited to the achievement of mechanical completion, whether production levels are sufficient to be at least capable of generating sustainable positive cash flow, the working effectiveness of the site refinery, whether a refining contract for the product is in place and whether the product is of sufficient quantity to be sold, whether there is a sustainable level of production input available including power, water, diesel, etc., and whether the necessary permits are in place to allow continuous operations.

Deferral of stripping costs

In determining whether stripping costs incurred during the production phase of a mining property relate to mineral reserves and mineral resources that will be mined in a future period and therefore should be capitalized, the Company determines whether it is probable that future economic benefit associated with the stripping activity will flow to the Company.

b) Key Sources of Estimation Uncertainty in the Application of Accounting Policies

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are as follows:

Mineral reserve estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

Impairment of mine properties, plant and equipment

While assessing whether any indications of impairment exist for mine properties, plant and equipment, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mine properties, plant and equipment. Internal sources of information include the manner in which mine properties, plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Estimates include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company's mine properties, plant and equipment and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources, adverse political situations and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mine properties, plant and equipment.

Asset lives, depletion/depreciation rates for mine properties, plant and equipment

Depreciation, depletion and amortization expenses are allocated based on assumed asset lives and depletion/depreciation/amortization rates. Should the asset life or depletion/depreciation rate differ from the initial estimate, an adjustment would be made in the statement of operations.

Estimation of decommissioning and restoration costs and the timing of expenditure

The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Inventory valuation

Gold doré, in-process precious metals and stockpile ore are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of in-process precious metals and stockpiled ore include estimates of the amount of gold in the stockpiled ore, the amount of gold in the mill circuits and assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write-down the recorded value of its in-process precious metals and stockpile ore, which would reduce the Company's earnings and working capital.

Share-Based Payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Contingencies

Refer to the sections above entitled Commitments and Financial Risk Factors.

OFF BALANCE SHEET ITEMS

The Company does not have any off balance sheet items.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In compliance with Form 52-109F2 of National Instrument 52-109, management must disclose in its Management's Discussion and Analysis any material weakness found to exist within its system of internal control over financial reporting.

Due to high levels of activity in 2011, the Company experienced weaknesses in its internal control processes over financial reporting. Lack of account reconciliations and the necessary follow ups were not adequately performed throughout the year. Management implemented compensating controls in order to mitigate risks and has taken additional steps to ensure that the proper controls are now in place and being followed. One of these steps consists of the hiring of a Finance Manager on site during Q2-2012.

A material weakness in internal control over financial reporting as of March 31, 2011 existed as management did not have sufficient accounting personnel to appropriately review and approve accounting transactions. As a result, a calculation error on the accrual of gold sales occurred. The material weakness resulted in the restatement of the Company's condensed interim consolidated financial statements for the three months ended March 31, 2011.

OUTLOOK

Mining

Avion's production and expansion plans for 2012 include:

- The construction of the expanded plant has been temporarily suspended due to a military coup in Mali.
- Tabakoto underground production commenced in February 2012.
- Ségala underground mine development will continue throughout the year.
- The Djambaye II open pit will be mined throughout the year, providing ore to the mill.
- The Dioulafoundou open pit will be mined until the pit bottom is reached in the third quarter.
- Ségala NW open pit will be mined out in the first quarter.

Longer term plans are:

- Start production mining at Ségala underground.
- Review the Kofi deposits with the objective of developing mining operations on the properties. The deposits are within trucking distance to the Tabakoto process plant.
- Study the Houndé deposits with the objective of developing mining operations on the properties.

Avion's longer term goal is to produce 400,000 to 500,000 ounces of gold per year through development of its existing mining operations and exploration properties.

Exploration

Exploration re-commenced at Tabakoto in mid-January with a focus on RC drilling at Djambaye II with a goal of converting Inferred Open Pit mineral resources to Measured and Indicated Open Pit mineral resources. A limited amount of drilling is also planned to test a number of conceptual targets. Overall approximately 14,000 metres of RC drilling is planned on the Tabakoto property with 58 holes totaling 7,621 metres completed to date. In conjunction with the reception of new drill, sampling and mapping information from 2011 and 2012, updated mineral resource and reserve estimates were completed and released on May 10, 2012 Avion also intends to continue with compilation of the property data and complete mapping and ground reviews of priority targets.

The Kofi property, specifically the Kofi C and Bassindi zones, were subject to an approximate 17 hole, 5,000 metre core drill program in January and February. This data will be used to further refine the mineralization models at the Kofi C zone in advance of Whittle pit analysis and further drill testing of the mineralized zones. As well, both soil and ground magnetic surveys were carried out over the Bassindi and Betea zone areas. Mapping and follow-up of artisanal and areas with geochemically anomalous soils is planned for the rest of the year.

Continued exploration in 2012 at the Houndé property is expected to continue to add to the updated resources published on December 21, 2011 and further define the zones identified during the previous drill program. In 2012, Avion has contracted to complete approximately 40,000 metres of drilling at the Houndé project with an initial goal to increase the inferred resources by approximately 500,000 ounces. In conjunction with this drilling Avion has commissioned SRK consulting to complete a PEA (preliminary economic assessment) to define potential economic parameters for the development of the project. Avion's goal is to have enough mineralization defined to support a 10,000 to 12,000 tonne per day operation that would support a 200,000 ounce per year mine over a period of 10 years. As well, Avion has commissioned a study to define the SAG (semi-autogenous grinding) characteristics of the Vindaloo mineralization and a baseline social and environmental study. Both sets of information will be used as supporting documentation for the PEA study.

May 15, 2012