AVION RESOURCES CORP.

(A Development Stage Company)

Management's Discussion & Analysis

for the three and six months ended May 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Three and Six Months Ended May 31, 2008

General

This management's discussion and analysis ("MD&A") has been prepared based on information available to Avion Resources Corp. ("we", "our", "us", "Avion", or the "Company") as of July 22, 2008. The MD&A provides a detailed analysis of the Company's business and compares its financial results with those of the previous year and should be read in conjunction with our unaudited interim financial statements and related notes as at and for the six months ended May 31, 2008 and the audited annual financial statements and notes, and MD&A for the year ended November 30, 2007. The financial statements and related notes of Avion have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information and press releases have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and are available online under our profile at www.sedar.com.

Unless otherwise noted, this MD&A reports our activities through July 22, 2008. All figures are in Canadian dollars unless otherwise indicated.

References to the first and second quarters of 2008 and the first and second quarters of 2007 refer to the quarters ended February 29 and May 31, 2008 and 2007 respectively.

The statements for the six months ended May 31, 2008 are unaudited and have not been reviewed by the Company's auditors.

OVERVIEW OF THE COMPANY

Avion is listed on the TSX Venture Exchange ('TSX-V') trading under the symbol AVR.

Avion is a mineral exploration and development company focused on strategic acquisitions in Africa. Avion has a team of highly qualified geologists, as well as a strong operational team that is exploring various properties throughout Africa.

At the end of the quarter, the Company completed the acquisition of an 80% interest in the Tabakoto and Segala gold projects, (the "Mali Projects") located in Mali, West Africa from Nevsun Africa (Barbados) Ltd., a subsidiary of Nevsun Resources Ltd. The remaining 20% interest in the Mali Projects belongs to the Government of Mali. The Tabakoto project is a two year old project that last produced in September 2007 and has all mining infrastructure and processing facilities in-place. Nevsun previously spent approximately US$90 million in capital expenditures to construct the mine. It was placed on care and maintenance by the former owners. The Company's intention is to better define and expand the historical resource estimates, improve the plant's operational and economic efficiencies, and re-start production at the Tabakoto mine.

In addition, Avion currently has an exploration project in Ethiopia with a total land position of 4,400 square kilometres.

During the prior year, the Company brought in new management, changed its name from Argent Mining Corp, to Avion Resources Corp., and consolidated its shares on a 3:1 basis. All common shares, options and warrants and per share amounts have been restated to reflect the 3:1 consolidation that took place on June 21, 2007.

The Company is a development stage company as defined by the Canadian Institute of Chartered Accountants (the "CICA") Accounting Guideline 11.

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

Overall Performance

During the quarter, the Company completed its acquisition of an 80% interest in the Tabakoto and Segala gold projects located in Mali, West Africa from Nevsun Africa (Barbados) Ltd., a subsidiary of Nevsun Resources Ltd. On January 31, 2008, the Company closed on a transaction entered into in November, 2007 to acquire a property in Ethiopia. The Company also signed an option agreement to acquire a 75% interest in the Dundonald property in Timmins, Ontario (see "Mineral Properties").

Mineral Properties

Mali, Africa

In May 2008, the Company completed its acquisition of an 80% interest in the Tabakoto and Segala gold projects located in Mali, West Africa, the "Mali Projects". The remaining 20% interest is owned by the Government of Mali. The Tabakoto project was previously a producing gold mine and has all mining infrastructure and processing facilities in place. As consideration, the Company paid US$20,000,000 (CDN$20,114,000) for the purchase of an 80% interest. The vendor will also retain a 1% net smelter return royalty and loan interest. The Company will have the option to buy out the net smelter return royalty for US$2,000,000 during the five years following the date of closing.

In addition to the consideration to be paid under the Agreement, Avion agreed to pay a US$1,000,000 (CDN$994,200) finder's fee to an arm's length third party and grant this private company a 2% net smelter royalty on the Mali Projects. Avion has an option to buy out this net smelter royalty at a price of US$4,000,000 during the five years following the date of Closing.

The Company had agreed to a US$1,000,000 break fee if the transaction did not close before May 23 2008. To post the break fee, the Company borrowed US$1,000,000 from Aberdeen International Inc., a company that holds more than 10% of the issued and outstanding shares of Avion and has common directors and officers. This loan matures on September 30, 2008, will incur a 10% per annum interest rate, and is secured against the assets of the Company. As consideration for the loan, the Company has issued 250,000 share purchase warrants to Aberdeen, where each warrant will entitle Aberdeen to acquire one common share of the Company at a price of $0.38 for a period of 18 months from the date of issue. The fair value of these warrants was estimated at $43,250 using the Black-Scholes option pricing model.

The following table summarizes the total cost of the acquisition of the Mali Projects:

Cash paid	20,114,000
Advisory and finders fees	2,294,200
Filing and regulatory fees	1,000
Legal, audit and transfer agent fees	199,638
Consulting fees and expenses	184,252
	22,793,090

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. The Company is in the process of obtaining third-party valuations of certain assets, thus the allocation of the purchase price is subject to adjustment.

Assets acquired at May 20, 2008	
Cash	50,429
Amounts receivable	81,595
Prepaid expenses	635,404
Inventory	3,844,164
Long term receivable	6,895,039
Mine and exploration assets	17,496,209
Accounts payable	(1,946,060)
Asset retirement obligations	(4,263,690)
	22,793,090

The Government of Mali owns the remaining 20% interest in the Tabakoto & Segala projects. The Company is required to fund 100% of all expenditures related to the exploration and development of these properties and holds preferential right to recover all funding plus interest from future cash flows prior to the shareholders receiving dividends.

As a result of the signification losses and exploration expenses incurred prior to acquisition, the Government's minority interest was reduced to $nil, the Company's subsidiary absorbing the disproportionate share of the minority interest losses. Amounts due to the Government will only become payable if the Tabakoto operation generates sufficient profits to recover the impairment charge.

Ethiopia, Africa

On January 31, 2008, the Company acquired from Aberdeen certain rights, titles, interest and obligations, including a 2% NSR obligation relating to exploration properties in Ethiopia. In order to acquire these rights and interest, the Company has agreed to make the following payments to Aberdeen, in either cash or shares of the Company as mutually agreed upon:

- $250,000 upon receipt of regulatory approval (paid January 2008);
- $750,000 on or before June 30, 2008 (pending negotiations); and
- $1,000,000 on or before December 31, 2008

As well, the Company agreed to grant to Aberdeen a 1.5% Royalty and issue Aberdeen 1,500,000 share purchase warrants exercisable at $0.48 for 18 months. Aberdeen holds more than 10% of the issued and outstanding shares of the Company and the two companies have certain directors and officers in common.

The agreement with Ethio-Gibe Canada Mining PLC ("Ethio-Gibe") provides an option to obtain 100% of the exclusive rights granted by the Ministry of Mineral Energy of Ethiopia to Ethio-Gibe on certain Gold–Copper–Zinc exploration concessions in Ethiopia, subject to a 2% net smelter return royalty ("NSR") to be held by Ethio-Gibe. The agreement provided Aberdeen with an option to purchase 50% of the NSR for $1,000,000 in cash or in shares of the Company.

Under the terms of the agreement, following consideration is to be provided to Ethio-Gibe:

- payment of $200,000 in cash and issuance of 500,000 shares of the Company on or before April 25, 2007; (paid)
- payment of $250,000 and issuance of 250,000 shares of the Company on or before each of December 31, 2007 (paid and issued), December 31, 2008 and December 31, 2009;
- payment of $500,000 on each of December 31, 2010 and December 31, 2011, payable in cash or shares of the Company at the Company's option; and
- expend a minimum of $2,000,000 on property exploration.

Dundonald Property, Timmins, Ontario

In November 2007, the Company entered into negotiations to acquire a 75% interest in the Dundonald property in Timmins, Ontario. The agreement was finalized on January 2, 2008. In order to acquire this interest, the Company assumed an interest in an existing agreement for cash consideration of $250,000 and awarding a 2% NSR in favour of the assigning company. The 2% NSR is to be paid solely from the Company's interest in the property. The agreement assumed requires the following option payments and exploration expenditures be made:

Option payments:

- Make a cash payment of $75,000 and issue $75,000 worth of common shares upon regulatory approval of the agreement (214,285 common shares issued in February 2008);
- Make a cash payment of $250,000 and issue common shares with a market value of $250,000 on or before the first anniversary of receiving regulatory approval; and
- Make a cash payment of $500,000 and issue common shares with a market value of $500,000 on or before each of the second, third and fourth anniversaries of receiving regulatory approval.

Exploration expenditures:

- $500,000 in expenditures prior to the first anniversary of receipt of regulatory approval; and
- an additional $4,000,000 in expenditures prior to the fourth anniversary of receipt of regulatory approval.

The agreement assumed also provides the optioning party with a back in right to retain a 51% interest in the property, as well as an option to sell its remaining 25% interest to the Company for $5,000,000, under certain conditions.

Exploration Update

Tabakoto and Segala Projects, Mali

Avion has commenced an aggressive exploration program designed to confirm existing understanding of the mineralization at the Mali Projexts and to define additional mineable resources as part of a $5 million dollar, minimum 15,000 metre diamond drill program. In conjunction with this effort Avion will also determine the best way to re-initiate gold production in the shortest feasible time frame. Avion believes that the property hosts in excess of 10 variable-tested gold zones which are directly related to gold in soil anomalies. Numerous untested soil anomalies occur on the property.
Don Dudek, P.Geo. Avion's Senior VP Exploration and a Director, is the Qualified Person under National Instrument 43-101 and is responsible for the technical and scientific work carried out and has reviewed and approved the information presented in this MD&A.

Ethiopia Properties

The Ethiopian properties consist of four large property groups totalling over 4,000 km^2 that cover exposed areas of the neo-Proterozoic Nubian-Arabian greenstone belt. Each of the greenstone belts display potential for shear-zone hosted gold with the northern-most belt displaying potential for VMS deposits. The Northern properties comprise some 2,674 km^2 in three blocks that overly a variably sheared mixture of felsic to mafic volcanics, sediments and felsic to ultramafic intrusions. Work on the northern group of the Ethiopia properties continued under the guidance of Aberdeen until year-end. Initial work comprised a heliborne magnetic and radiometric survey and select EM surveys completed in July and acquisition of satellite images. In November and December of 2007 ground follow-up of a select group of airborne electromagnetic anomalies through the installation of sample control grids and the collection of over 950 rock samples was carried out. Assay results from these samples are still outstanding. In March a regional silt sampling program was initiated resulting in the collection of 1,148 samples. Analytical results are outstanding.

The Western properties comprise approximately 2000 km^2 of greenstone belt with several known gold and base metal occurrences. Initial property work has consisted of site visits to some of the known occurrences, heliborne magnetic and radiometric surveys and the acquisition of satellite images. A soil sampling program is planned to commence in April along an 8 km long zone of likely aurifierous quartz veins in the Agusha area, as evidenced by the extensive amount of previous artisanal pits. Avion will also follow-up on work in the Menghi area carried out by Golden Star Resources in the mid-90's which returned trench samples grading 5.27g/t Au over 23.8 m and drill intercepts to 7.20 metres grading 8.49 g/t Au. An initial survey of an extensive area of artisanal working is also planned in the Mount Dul area.

One of Avion's southern property group lies along strike of Midroc Gold's Lega Dembi mine and their newly announced East Sarkaro deposit. Previous work has identified several gold showings on the property. Compilation work and a site visit will dictate the next steps for these important concessions.

The other property in the southern property group lies immediately north of the Kenyan border in the Adola area. Previous work carried out by the Ethiopian government identified numerous gold-bearing quartz veins, one of which hosts a non-43-101 compliant resource of 1.05 million tonnes grading 1.56 g/t Au. Compilation and a site visit will also be carried out over this area to determine the best way to evaluate this property.

The fourth property group, Didessa, comprising 648 km2, lies approximately 40 km southwest of the Western property group. Didessa is known to host both gold and base metal occurrences. A field evaluation and data compilation of this property will be carried out when time permits.

Dundonald Property

The Dundonald Property has been explored by Falconbridge, Hucamp Mines and recently First Nickel Inc. over the past 40 years. This work has resulted in the discovery of 9 zones of nickel mineralization comprising an indicated resource of 115,936 tonnes grading 3.16% Ni (Montgomery, 2006). As well, 4 occurrences of PGE mineralization and 2 zones of Zn-Cu mineralization have been discovered in the property. Opportunity exists to extend the existing Ni zones down plunge and along strike, to discover a Cu-Zn massive sulphide deposit or an economic PGE zone.

In late 2007, Avion completed five holes totaling 1,552 metres to test the Dundonald South G and H zones down-plunge of existing mineralization and one hole to test a new electromagnetic anomaly. This drilling was successful in intersecting Ni mineralization in three holes and intersecting a new zone of Zn mineralization. Avion is reviewing and relogging all holes drilled in 2007 to validate previous interpretations of the Ni-bearing zones. Nickel mineralization intersected in hole AV-07-04 is open at depth and to the east and is to be subject to down-hole geophysics to determine the extent of the mineralization. In addition, the Company plans to evaluate the Dundonald Sill for its PGE potential in 2008. Previous work on the sill has identified zones of PGE enrichment, up to 1.14 g/t Pt+Pd over 9.0 metres, in trenching and this zone remains open in all directions

Significant results from the Avion drilling in 2007 are presented in Table 1

HOLE ID	FROM (m)	TO (m)	WIDTH (DRILLED)	Ni (%)	Pt (ppb)	Pd (ppb)
AV-07-03	309.0	314.0	5.0	0.46	40	51
AV-07-04	221.3	235.0	13.7	0.28	44	49
AV-07-05	224.0	227.8	3.8	0.48	71	71

Results of Operations

For the quarter ended May 31, 2008
The Company reported a net loss of $835,614 ($0.03 per share) for the second quarter of 2008 compared to net income of $49,289 ($0.00 per share) for the second quarter of 2007.

A non-cash stock based compensation expense of $654,055 (Q2 2007: $nil) was recorded for the quarter ended May 31, 2008 related to the estimated fair value of 3,050,000 stock options (Q2 2007: nil) granted to directors, officers and consultants of the Company during the quarter. Stock based compensation was estimated using the Black-Scholes option pricing model under the following assumptions: expected dividend yield - 0%; expected life - 5 years; expected volatility – 111%; a risk-free interest rate - 3.3%. Also, during the quarter, the Company incurred a non-cash charge of $43,250 related to the estimated fair value of warrants granted to Aberdeen International Inc. as compensation for lending the Company US$1,000,000 during the acquisition of the Mali Projects as discussed above. During the comparative quarter, the Company recorded a non-cash future income tax recovery of $71,564 related to the renunciation of flow through shares that were issued during the previous year. Eliminating these non cash charges, the loss for the current quarter amounted to $138,310 compared to a loss of $22,275 for the comparative quarter.

Administrative expenses, net of stock based compensation, for the quarter ended May 29, 2008 totalled $139,201 compared to $39,128 for the second quarter of 2007, an increase of $100,073. All expense categories increased compared to the second quarter of 2007. Avion is under new management and is actively promoting the Company and focusing on strategic acquisitions in Africa. During the second quarter of 2007, the Company initiated the management changes and expenditures started increasing.

Shareholder communications costs increased by approximately $27,000 as a result of the hiring of an investor relations consultant. Travel costs increased by approximately $16,000 as a result of travel to Africa during the negotiations to acquire the Mali Projects. Office costs increased by approximately $18,000. The Company shares office space and some resources with other companies that have common directors and officers. Professional fees increased by approximately $13,000 as a result of underaccrued 2007 audit fees charged during the quarter.

The Company earned $24,583 in interest income during the quarter compared to $42 during the comparable second quarter of 2007. In May, the Company raised $30,000,000 through a private placement financing and excess cash was invested in short term bankers' acceptance. Interest expense of $18,794 was incurred related to interest payable on the outstanding US$1,000,000 debenture owing to Aberdeen International Inc. The Company also incurred $4,898 in foreign exchange losses.

For the six months ended May 31, 2008
The Company reported a net loss of $931,872($0.04 per share) for the six months ended May 31, 2008 compared to net income of $31,326 ($0.00 per share) for the six months ended May 31, 2007.

Stock based compensation expense of $654,055 (2007: $nil) and a non-cash transaction fee of $43,250 were recorded for the six months ended May 31, 2008. During the comparative six month period, the Company recorded an income tax recovery of $71,564 related to the renunciation of flow through shares that were issued during the previous year. Eliminating these non cash charges, the loss for the first half of 2008 was $234,567 compared to a loss of $40,238 for the first half of 2007.

Administrative expenses, net of stock based compensation, for the six months ended May 29, 2008 totalled $228,035 compared to $57,281 for the six months ended May 31, 2007, an increase of $170,754.

Shareholder communications costs increased by approximately $29,000 as a result of the hiring of an investor relations consultant. Consultants and management fees increased by approximately $45,000 as a result of the changes in management. Travel costs increased by approximately $36,000 as a result of travel to Africa during the negotiations to acquire the Mali Projects and the Ethiopia property. Office costs increased by approximately $33,000. Included in shared office costs are the costs for shared computers as well as leasehold improvements.

The Company earned $28,920 in interest income during the first half of the current year compared to $232 during the comparable period as a result of excess cash invested in short term bankers' acceptance. Interest expense of $26,106 (2007: $nil) was incurred during the current period related to flow through interest penalties and interest payable on the outstanding US$1,000,000 debenture owing to Aberdeen International Inc. The Company also incurred $4,448 in general exploration costs during the first half of 2008 (2007: $nil) and $4,898 in foreign exchange losses (2007: $nil). During the comparative first half of 2007, the Company recognized a recovery of expenditures of $16,811.

Summary of Quarterly Results

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

	Revenue $	**Income (Loss) $**	**Income (Loss) per share $**	**Deferred Exploration Expenditures $**
May 31, 2008	-	(835,615)	(0.03)	255,955
February 29, 2008	-	(96,257)	(0.01)	1,489,627
November 30, 2007	-	(815,671)	(0.15)	264,128
August 31, 2007	-	(51,773)	(0.01)	50,016
May 31, 2007	-	49,289	0.01	5,000
February 28, 2007	-	(17,963)	(0.00)	2,543
November 30, 2006	-	115,720	0.03	3,155
August 31, 2006	-	(15,083)	(0.00)	39,872

Fluctuations in the Company's expenditures reflect the seasonal variations of exploration, the level of corporate activity, and the ability of the Company to raise capital for its projects. It is important to note that the net income in the quarter ending May 31, 2007 is a result of an accounting policy that requires the Company to record a reduction in share capital for the tax effect of expenditures renounced and if available, record a recovery in recognition of previously unrecorded future income tax assets. The Company does not have income from operations.

The large loss during the quarter ending November 30, 2007 is primarily a result of a write off of $701,052 in exploration expenditures related to the Iron Lake project as previously discussed. The large loss during the quarter ending May 31, 2008 is a result of a non-cash stock based compensation expense of $654,055 related to the issue of 3,050,000 stock options during the period. Deferred exploration expenditures increased during the quarter ended November 30, 2007 as a result of the Company's new option agreements for the Dundonald Property and Ethiopia Properties as already discussed in the Mineral Properties section of this report. The sharp increase in deferred exploration expenditures in the first quarter of 2008 reflects option payments and the fair value of share and warrant issuances related to the Dundonald and Ethiopia option agreements.

Liquidity and Capital Resources

Financing of operations is achieved primarily by issuing share capital. At May 31, 2008, the Company had $6,242,282 in cash and a working capital surplus of $7,210,853.

In December 2007, the Company completed a private placement financing. The Company raised $300,000 in gross proceeds through the issuance of 1,111,111 units at a price of $0.27 per unit. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.36 per share until December 19, 2009. Issue costs related to this private placement amounted to $16,354.

In May 2008, the Company completed a private placement financing whereby a syndicate of underwriters agreed to purchase 60,000,000 Subscription Receipts at a price of $0.50 per Subscription Receipt for aggregate gross proceeds of $30,000,000 in connection with the Company's acquisition of the Mali projects. Each Subscription Receipt will entitle the holder to acquire, for no additional consideration, one unit of the Company at the Escrow Release Time. Each unit will consist of one common share and one half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share of the Company at a price of $0.65 per share for a period of 24 months after the Closing Date, which was May 8, 2008. The Company agrees to use its best efforts to extend the term of the warrants for an additional 12 months by i) graduating to "Tier 1" status on the TSX Venture Exchange, and ii) obtaining all necessary approvals to do so.

Pursuant to the agreement to acquire the Mali Projects, the Company agreed to a US$1,000,000 break fee if the transaction did not close before May 2008. To post the break fee, the Company borrowed US$1,000,000 from Aberdeen International Inc., a company that has common directors and officers. This loan matures on September 30, 2008, will incur a 10% per annum interest rate, and shall be secured against the assets of the Company. As consideration for the loan, the Company has agreed to issue 250,000 share purchase warrants to Aberdeen, where each warrant will entitle Aberdeen to acquire one common share of the Company at a price of $0.38 for a period of 18 months from the date of issue.

During the three and six months ended May 31, 2008, 50,000 options were exercised generating $14,500.

Cash Flows

<u>For the quarter ended May 31, 2008</u>

During the quarter ended May 31, 2008, the Company used $138,310 in operating activities compared to $22,275 during the second quarter of 2007. Non cash working capital for the current quarter generated $573,980 compared to $15,996 during the second quarter of 2007.

Cash from investing activities used $23,327,775 during the second quarter of 2008 compared to $5,000 during the second quarter of 2007. The Company paid $22,793,090 to acquire the Mali Projects during the current quarter. Cash acquired from this acquisition was $50,429, for a net cash outlay of $22,742,661. Expenditures on the Company's mineral properties used $254,835 during the second quarter of 2008 compared to $5,000 during the second quarter of 2007. The decrease in accounts payable related to exploration expenditures used $296,669 for the current quarter under review compared to $nil for the comparable quarter. Investment in exploration properties has increased significantly as a result of the activities surrounding the Dundonald and Ethiopia properties. The exploration activities and results are described in the Exploration update section of this report. Lastly, the Company acquired equipment for a cash outlay of $33,610 during the current quarter compared to $nil for the comparable quarter.

Financing activities generated $28,684,694 during the current quarter compared to $nil during the comparative quarter. Private placements generated $27,416,494 net of issue costs as a result of the May 2008 private placement as described above. The Company received $259,500 in subscriptions related to a private placement from the previous year. The exercise of stock options generated $14,500 in cash during the current quarter. And lastly, the Company borrowed US$1,000,000 (CDN$994,200) during the quarter.

For the six months ended May 31, 2008

During the six months ended May 31, 2008, the Company used $234,567 in operating activities compared to $40,238 during the six months ended May 31, 2007. Non cash working capital for the current period generated $430,434 compared to the use of $757 during the comparable period.

Cash from investing activities used $24,176,384 during the first half of 2008 compared to $7,543 during the first half of 2007. The Company paid a net cash outlay of $22,742,661 for the acquisition of the Mali Projects in May 2008. Expenditures on the Company's mineral properties used $1,478,962 during the first half of 2008 compared to $7,543 during the comparable period. Prepaid exploration expenditures decreased by $150,000 during the current period compared to $nil during the first half of 2007. The decrease in accounts payable related to exploration expenditures used $71,153 for the first half of 2008 compared to $nil for the first half of 2007. And the Company incurred cash expenditures of $33,610 related to the acquisition of equipment during the six months ended May 31, 2008 compared to $nil during the comparative period.

Financing activities from private placements generated $27,695,240 net of issue costs during the six months ended May 31, 2008 compared to $nil during the comparable period of 2007. The Company received $562,000 during the current period (2007: $nil) in subscriptions related to the private placement from the previous year. The exercise of stock options generated $14,500 during the six months ended May 31, 2007 (2007: $nil). And the Company borrowed US$1,000,000 (CDN$994,200) during the current six month period compared to $nil during the comparable period.

Transactions with Related Parties

The Company shares its premises with other companies that have common directors and officers, and the Company reimburses the related companies for their proportional share of the expenses. Included in accounts payable and accrued liabilities at May 31, 2008 is $45,796 (2007: $nil) owing to such companies.

The Company was charged $1,000,000 in advisory fees related to the acquisition of the Mali Projects by a company controlled by a director of the Company.

The Company and Aberdeen entered into a debenture agreement whereby Aberdeen loaned the Company US$1,000,000 in secured debt to be repaid by the Company by September 20, 2008. The interest rate with respect to the debenture is 10% per annum, calculated on a monthly basis. In consideration for the loan, the Company issued Aberdeen 250,000 share purchase warrants which can be exercised for 18 months at $.38 per warrant.

The Company acquired the rights to the property in Ethiopia, Africa from Aberdeen. The terms regarding the acquired rights are described under the Mineral Properties section of the report.

The Company and Aberdeen share common directors and officers. As well, Aberdeen holds more than 10% of the issued and outstanding shares of the company.

Aberdeen participated in the May 2008 private placement by purchasing 5,000,000 subscription receipts.

A director of the Company subscribed for 200,000 subscription receipts at a price of $0.50 during the May 2008 private placement.

Directors and Officers Compensation

During the three and six months ended May 31, 2008, the Company paid $501,667 and $531,667 in fees and bonuses to directors of the Company (Q2 2007: $10,000; 2007: $20,500), and $258,893 and $261,893 (Q2 2007: $nil; 2007: $nil) in fees and bonuses to officers of the Company. During the three and six months ended May 31, 2008, 3,560,000 stock options were granted to directors and officers of the Company, compared to nil during the comparative quarter.

In connection with the 80% acquisition of the Mali projects, Stan Bharti was paid an advisory fee of $1,000,000.

Share Data

The authorized capital of the Company consists of an unlimited number of common shares of which 75,640,009 were issued and outstanding as of the date of this report.

Pursuant to the Company's Stock Option Plan, the number of common shares reserved for issuance under the Plan in aggregate shall not exceed 10% of the total number of issued and outstanding common shares on a non-diluted basis. As at the date of this report, 8,206,000 stock options are outstanding at exercise prices ranging from $0.50 to $0.65 expiring between January 10, 2013 and June 27, 2013.

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

Expiry Date	Exercise Price ($)	Warrants Outstanding
June 20, 2008	0.63	202,020
July 25, 2008	0.53	310,555
October 12, 2009	0.29	9,949,996
December 19, 2009	0.36	1,111,111
July 31, 2009	0.48	1,500,000
May 8, 2010	0.65	30,050,000
November 20, 2009	0.38	250,000
		43,373,682

Avion has no performance shares or escrow shares.

All common shares, options and warrants and per share amounts have been restated to reflect the 3:1 consolidation that took place on June 21, 2007.

Risks and Uncertainties

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

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

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

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

Commitments

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $175,000 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 $179,000 due within one year.

Through the Company's newly acquired subsidiary in Mali, the Company is committed to certain contractual obligations. The Company is committed to acquire electrical equipment with payments of approximately US$1,300,000 due by the end of 2008. The Company is contracted to purchase fuel as required, however if the contract was terminated, the Company would be obligated to pay the net book value of the facilities, valued at approximately US$1,350,000 at May 31, 2008. Additionally, the Company is obligated to pay termination fees of US$485,000 on other existing contracts.

Management Changes

During the first quarter of the year, the Company announced the addition of Don Dudek and Peter MacLean to the Avion management team. Mr. Dudek has joined the Company as Senior Vice President of Exploration and a director. He has held increasingly senior roles with junior to senior exploration and mining companies over the past 25 years. Most recently Mr. Dudek served as Exploration Manager for Aur Resources Inc. which provided him the opportunity to evaluate 100's of grass roots to advanced projects in Latin America and Africa. During his career Mr. Dudek was part of the team that discovered 7 new base and precious metal deposits in Canada, one of which has been mined. He also supervised work at Aur's high profile La Verde Cu-porphyry deposit in Mexico. Mr. Dudek holds a B.Sc. Geology (honors) from the University of Saskatchewan

Dr. Peter MacLean has joined the Company as Exploration Manager. During his 20-year career, he has focused on Mexico and Venezuela for Monarch Resources, and as a consultant for a group of companies including Newmont, Apex Silver and Hecla Mining. In 2003, Dr. MacLean joined Aur Resources Inc. and held a position of Regional Exploration Manager, Mexico until December 2007. During his time in Mexico, Peter was instrumental in the acquisition and evaluation of the La Verde Copper-porphyry deposit for Aur and the discovery of the An Agustin Gold-Silver-Zinc deposit for Monarch Resources. Dr. MacLean acquired his Ph.D. at the University of Western Ontario.

The Company continued to build an experienced team in the 2nd quarter by adding Andrew Bradfield as Chief Operating Officer and Gregory Duras as Chief Financial Officer. The Board of Directors has been enhanced with the additions of Bruce Humphrey, John Begeman and Pierre Pettigrew.

Subsequent Events

On June 6, 2008, the Company granted 310,000 stock options to directors and consultants of the Company at an exercise price of $0.51 expiring on June 6, 2013.

On July 15, 2008, the Company filed the Final Prospectus related to the May 2008 private placement, and on July 21, 2008, each Subscription Receipt was automatically converted to one common share and one-half of one purchase warrant of the Company for no additional consideration, as described in Note 13.

Significant Accounting Policies

Except as disclosed below, these interim consolidated financial statements are prepared using the same accounting policies and methods of application as those disclosed in note 3 to the Company's Audited Annual Financial Statements for the period ended November 30, 2007.

<u>Additional accounting policies:</u>

(i) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its newly-acquired, 100% owned subsidiary which ultimately owns an 80% interest in the Mali Projects (Note 7).

(ii) Foreign Currency Translation

The Company's foreign subsidiaries are considered to be integrated foreign operations. Accordingly, transactions and account balances originally stated in currencies other than the Canadian dollar are translated using the temporal method whereby monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates; and revenue and expenses are translated at the exchange rate in effect on the dates that they occur.

(iii) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and short-term investments with original maturities of three months or less. Cash and cash equivalents are held in Canadian chartered banks or a financial institution controlled by a Canadian chartered bank.

(iv) Inventory

The Company adopted CICA Handbook Section 3031 "Inventories". This standard replaces the previous inventories standard and requires inventory to be measured at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. Further, it requires the reversal of previous write-downs to net realizable value when the economic circumstances have changed to support an increased inventory value. The adoption of this standard has had no material impact on the Company's consolidated financial statements.

(v) Property, Plant and Equipment

Equipment is recorded at cost. Amortization is provided on a straight line basis over the following number of years:

Field equipment	5 years

<u>New accounting pronouncements:</u>

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments

– Presentation (Handbook Section 3863). These new standards became effective for the Company on December 1, 2007.

(i) Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in note 4 to these interim consolidated financial statements.

(ii) Financial Instruments - Disclosures and Presentation

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in note 5 to these interim consolidated financial statements.

Capital Management

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

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

There were no changes in the Company's approach to capital management during the three and six months ended May 31, 2008.

Financial Risk Factors

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

Credit risk

The Company's credit risk is primarily attributable to amounts receivables included in other assets. The Company has no significant concentration of credit risk arising from operations. Financial instruments included in assets consist of Goods and Services Tax due from the Federal Government of Canada, employee advances and reimbursable costs, and a fuel duty receivable which due from the Government of Mali, recoverable by way of offset against royalties and any taxes otherwise payable to the Government of Mali. Management believes that the credit risk concentration with respect to these financial instruments is remote.

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 May 31, 2008, the Company had a cash balance of $6,242,282 and subscriptions receivable of $nil (November 30, 2007 - $956,861 and $562,000) to settle current liabilities of $3,891,686 (November 30, 2007 - $327,615). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, save for a short term debenture of US$1,000,000 (CDN$994,200) due on September 30, 2008.

Market risk

(a) Interest rate risk

The Company has cash balances and interest-bearing debt at May 31, 2008. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company's interest bearing debt has a fixed interest rate of 10% and is short term. The Company considers interest rate risk to be minimal as investments and interest bearing debt are short term, the interest rate on the short term debt is fixed, and future financing will be primarily secured from private placements.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar. The Company funds certain operations, exploration and administrative expenses in Africa on a cash-call basis using the Ethiopian Birr currency, and with its newly acquired Malian subsidiaries, the Euro, converted from its Canadian dollar bank accounts. The Company's Malian subsidiaries operate in CFA Francs for which Malian banks offer a floating rate of exchange with the Euro. Management does not hedge its foreign exchange risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

The Company has designated its cash as held-for-trading, measured at fair value. Amounts receivable and the fuel duty receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and short term debt are classified as other financial liabilities, which are measured at amortized cost. The Company's investment in a private mineral exploration company is measured at cost as the investment does not have a quoted market price in an active market.

As at May 31, 2008, the carrying and fair value amounts of the Company's financial instruments are the same, and there were no changes that occurred that attributed to credit risk.

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

The Company's investment in a private company is anticipated to be listed on a recognized stock exchange within the next twelve months. Sensitivity to a plus or minus 100% change in the company's expected share price would affect income (loss) by $140,000.

As a result of the Company's activities in Ethiopia and Mali, the Company is exposed to foreign exchange risk. The Company's functional currency is the Canadian Dollar. The Company is exposed to currency risk on settlements of purchases that were denominated in currencies other than the functional currency. The currency exposures are primarily to the United States Dollar (USD), Euro (EURO), West African CFA Franc (XOF and the South African Rand (ZAR). Risk of loss as a result of foreign exchange fluctuations is minimal at this stage in the Company's operations as all liabilities in other non-functional currencies are minimal.

Price risk is remote since the Company is not a producing entity at this time and does not rely on the selling of commodities for the generation of operational cashflow. A dramatic decrease in the value of certain commodity prices could negatively impact the Company's ability to raise additional financing .

Critical Accounting Estimates

The preparation of the Company's Financial Statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock based compensation and the valuation of income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material

Cautionary Note on Forward-Looking Information

Certain information provided in this document herein constitutes "forward-looking statements" within the meaning of applicable Canadian securities legislation which may include, but is not limited to, information with respect to the Corporation's development potential and timetable of the Corporation's properties, including the Tabakoto and Segala gold properties; the Corporation's ability to raise additional funds; the future price of minerals, particularly gold; the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative 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 statements are based on management's expectations and reasonable assumptions at the time such statements are made. Estimates regarding the anticipated timing, amount and cost of exploration and development activities are based on assumptions underlying mineral reserve and mineral resource estimates and the realization of such estimates are set out herein. Capital and operating cost estimates are based on extensive research of the Corporation, purchase orders placed by the Corporation to date, recent estimates of construction and mining costs and other factors that are set out herein. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Avion and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include; unexpected events and delays during construction, expansion and start-up; variations in ore grade and recovery rates; revocation of 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 pertaining to the mining industry, as well as those factors discussed in the section entitled "Risk Factors" in Avion's annual information form for the year ended November 30, 2007 and dated June 12, 2008 which is available on SEDAR at www.sedar.com and is incorporated herein by reference. Although Avion has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein or incorporated by reference are made as of the date of this short form prospectus or as of the date of the documents incorporated by reference, as the case may be, and Avion does not undertake to update any such forward-looking statements, except in accordance with applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. The forward-looking information contained or incorporated by reference in this document is presented for the purpose of assisting shareholders and warrantholders in understanding the financial position, strategic priorities and objectives of the Corporation for the periods referenced and such information may not be appropriate for other purposes.

Off Balance Sheet items

The Company does not have any off balance sheet items

Outlook

Avion intends has commenced an aggressive exploration program on the Tabakoto property designed to confirm existing life of mine resources and define additional mineable resources as part of a $5 million dollar, minimum 15,000 metre diamond drill program. In conjunction with this effort Avion will also determine the best way to re-initiate gold production in the shortest feasible time frame. The property hosts in excess of 10 variable-tested gold zones which are directly related to gold in soil anomalies. Numerous untested soil anomalies occur on the property.

July 22, 2008