

AVION RESOURCES CORP.

(A Development Stage Company)

Interim Consolidated Financial Statements
For the nine months ended
August 31, 2008

UNAUDITED

AVION RESOURCES CORP.

(A Development Stage Company)

Consolidated Balance Sheets

(Stated in Canadian Dollars)

As at:	August 31, 2008 <i>(unaudited)</i>	November 30, 2007 <i>(audited)</i>
ASSETS		
Current		
Cash and cash equivalents (Note 7)	\$ 652,384	\$ 956,861
Subscription receivable	-	562,000
Amounts receivable (Note 7 and 8)	1,006,805	34,564
Prepaid expenses (Note 7)	463,572	-
Inventory (Note 7)	3,874,726	-
	5,997,487	1,553,425
Reclamation bond	-	3,000
Investments (Note 6)	140,001	140,001
Deposits and advances	-	150,000
Long term receivable (Notes 7 and 9)	6,664,509	-
Equipment (Note 10)	1,979,662	-
Mineral properties (Notes 7 and 11)	21,786,858	234,177
	\$ 36,568,517	\$ 2,080,603
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 7 and 18)	\$ 2,573,300	\$ 327,615
Short term debenture (Note 12)	1,073,954	-
	3,647,254	327,615
Asset retirement obligations (Notes 7 and 13)	4,335,095	-
	7,982,349	327,615
SHAREHOLDERS' EQUITY		
Capital stock (Note 14)	31,477,042	9,448,760
Warrants (Note 15)	5,916,205	730,000
Contributed surplus (Note 17)	2,519,801	829,900
Deficit	(11,326,880)	(9,255,672)
	28,586,168	1,752,988
	\$ 36,568,517	\$ 2,080,603

Commitments and contingencies (Notes 1, 2, 11 and 19)

Subsequent events (Note 21)

APPROVED ON BEHALF OF THE BOARD:

"John Begeman", Director

"Stan Bharti", Director

AVION RESOURCES CORP.

(A Development Stage Company)

Consolidated Statements of Operations and Deficit

(Stated in Canadian Dollars)

(unaudited - prepared by management)

For the three and nine months ended August 31, 2008

	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Expenses				
Consulting and management fees (Note 16)	\$ 355,482	\$ 30,400	\$ 1,082,726	\$ 58,600
Shareholder communications	88,318	2,769	120,287	5,714
Professional fees	88,351	6,179	119,560	20,843
Office and general	26,783	5,212	60,960	6,600
Travel	17,410	2,600	54,252	3,369
Transfer agent & filing fees	16,731	4,613	37,380	13,928
(Loss) for the period before the following:	(593,075)	(51,773)	(1,475,165)	(109,054)
Interest earned	30,826	-	59,746	232
Interest expense (Note 12)	4,682	-	(64,674)	-
Accretion expense (Note 13)	(71,405)	-	(71,405)	-
Recovery of expenditures	-	-	-	16,811
General exploration expenses	-	-	(4,448)	-
Write off of mineral properties (Note 11)	(469,059)	-	(469,059)	-
Foreign exchange (loss)	(41,305)	-	(46,203)	-
Net (loss) before income taxes	(1,139,336)	(51,773)	(2,071,208)	(92,011)
Future income tax recovery	-	-	-	71,564
Net (loss) for the period	\$ (1,139,336)	(51,773)	(2,071,208)	(20,447)
Deficit, beginning of period	\$ (10,187,544)	\$ (8,388,228)	\$ (9,255,672)	\$ (8,419,554)
Deficit, end of period	\$ (11,326,880)	\$ (8,440,001)	\$ (11,326,880)	\$ (8,440,001)
Basic net (loss) per share	\$ (0.02)	\$ (0.01)	\$ (0.05)	\$ (0.00)
Weighted average number of shares outstanding	75,639,954	4,164,562	40,799,201	4,164,562

AVION RESOURCES CORP.

(A Development Stage Company)

Consolidated Statement of Cash Flows

(Stated in Canadian Dollars)

(unaudited - prepared by management)

For the three and nine months ended August 31, 2008

	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Cash flows provided by (used in)				
Operating activities				
Net (loss)/income for the period	\$ (1,139,336)	\$ (51,773)	\$ (2,071,208)	\$ (20,447)
Changes not affecting cash:				
Stock based compensation (Note 16)	253,344	-	907,399	-
Non cash transaction fee (Note 12)	(21,500)	-	21,750	-
Accretion expense (Note 13)	71,405	-	71,405	-
Unrealized foreign exchange	244,761	-	244,761	-
Write off of mineral properties (Note 11)	469,059	-	469,059	-
Future income tax recovery	-	-	-	(71,564)
Net change in non-cash working capital items	(1,024,717)	(36,349)	(594,283)	(37,106)
	(1,146,984)	(88,122)	(951,117)	(129,117)
Financing activities				
Private placements, net of issue costs	-	-	27,695,240	-
Exercise of warrants and options	-	-	14,500	-
Change in subscriptions receivable	-	-	562,000	-
Short term debenture	-	200,000	994,200	200,000
	-	200,000	29,265,940	200,000
Investing activities				
Acquisition of subsidiary, net of cash acquired	-	-	(22,742,661)	-
Mineral properties expenditures	(2,778,828)	(50,016)	(4,257,790)	(57,559)
(Increase) decrease in prepaid exploration	-	-	150,000	-
Increase (decrease) in accounts payable related to exploration properties	284,207	-	213,054	-
Equipment purchases (Note 10)	(1,948,293)	-	(1,981,903)	-
	(4,442,914)	(50,016)	(28,619,300)	(57,559)
Change in cash and cash equivalents	(5,589,898)	61,862	(304,477)	13,324
Cash and cash equivalents, beginning of period	6,242,282	793	956,861	49,331
Cash and cash equivalents, end of period	\$ 652,384	\$ 62,655	\$ 652,384	\$ 62,655
SUPPLEMENTARY INFORMATION:				
Common shares issued for property acquisition	\$ -	\$ -	\$ 75,000	\$ -
Warrants issued for property acquisition	\$ -	\$ -	\$ 190,500	\$ -
Compensation options classified as cost of issue	\$ -	\$ -	\$ 782,502	\$ -
Amortization charged to mineral properties	\$ 1,121	\$ -	\$ 2,241	\$ -
Interest paid	\$ 12,776	\$ -	\$ 31,570	\$ -
Interest received	\$ 19,973	\$ -	\$ 48,346	\$ 232
Income taxes paid	\$ -	\$ -	\$ -	\$ -

AVION RESOURCES CORP.

(A Development Stage Company)

Notes to the Consolidated Financial Statements

For the nine months ended August 31, 2008

1. NATURE OF OPERATIONS

These interim consolidated financial statements are unaudited and have not been reviewed by the Company's auditors.

Avion Resources Corp. ("Avion" or the "Company") is a development stage company as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline II and is primarily engaged in the acquisition, exploration and development of mineral properties located in Africa. All common shares, options and warrants and per share amounts have been restated to give retroactive effect to the 3:1 consolidation that took place on June 21, 2007.

The Company has acquired an 80% interest in the Tabakoto and Segala gold projects, the "Mali Projects". The remaining 20% interest belongs to the Government of Mali. The Tabakoto project was previously a producing gold mine and has all mining infrastructure and processing facilities in place. 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.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material writedowns of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory requirements.

The disclosure in these interim consolidated financial statements may not conform in all respects to generally accepted accounting principles in Canada for annual financial statements.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these consolidated financial statements. Operating results for the nine months ended August 31, 2008 are not indicative of the results that may be expected for the full year ending November 30, 2008.

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AVION RESOURCES CORP.

(A Development Stage Company)

Notes to the Consolidated Financial Statements

For the nine months ended August 31, 2008

2. CONTINUING OPERATIONS

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

The Company's ability to meet its obligations and maintain operations is contingent upon additional financing arrangements and the support of its creditors.

Funding for operations is obtained primarily through public and private share offerings. Future operations are dependent upon the Company's ability to finance expenditure requirements and upon the achievement of profitable operations. These consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

3. 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.

Additional accounting policies:

(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.

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Notes to the Consolidated Financial Statements

For the nine months ended August 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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
Plant equipment and additions	5 to 15 years
Office equipment	3 to 5 years

New accounting pronouncements:

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 non-compliance. 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.

(iii) International Financial Reporting Standards

In February 2008, the Accounting Standards Board (AcSB) confirmed that Canadian public companies will have to adopt International Financial Reporting Standards (IFRS) effective for years beginning on or after January 1, 2011. The Company is currently evaluating the impact this new framework.

4. CAPITAL MANAGEMENT

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

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

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4. CAPITAL MANAGEMENT (continued)

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 nine months ended August 31, 2008.

5. FINANCIAL RISK FACTORS

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

Credit risk

The Company's credit risk is primarily attributable to amounts receivable 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 Government of Canada, employee advances and reimbursable costs, gold sales receivables, and a fuel duty receivable which is 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 with respect to these financial instruments is minimal.

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 August 31, 2008, the Company had a cash balance of \$652,384 and subscriptions receivable of \$nil (November 30, 2007 - \$956,861 and \$562,000) to settle current liabilities of \$3,647,254 (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 and accumulated interest expense of US\$1,010,685 (CDN\$1,073,954) due on September 30, 2008.

Market risk

(a) Interest rate risk

The Company has cash balances and interest-bearing debt at August 31, 2008. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company's interest bearing debt has a fixed interest rate of 10% and is short term. The Company considers interest rate risk to be minimal as investments are short term, 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 the Euro, converted from its Canadian dollar bank accounts. The Company's Malian subsidiaries operate in West African CFA Francs ("XOF") for which Malian banks offer a floating rate of exchange with the Euro. As well, the company has short term loans denominated in US dollars. Management does not hedge its foreign exchange risk.

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5. FINANCIAL RISK FACTORS (continued)

(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 August 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.

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).

The Company anticipates going into commercial gold production in 2009. As a result, fluctuations in the price of gold could affect the results of operations.

6. INVESTMENTS

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

	August 31, 2008 \$	November 30, 2007 \$
Global Immune Technologies, Inc. - (2,000,000 shares)	1	1
Yellowhead Mining Inc. (100,000 shares)	140,000	140,000
	140,001	140,001

The Company owns 2,000,000 restricted common shares of Global Immune Technologies Inc. (formerly Secureview Systems Inc.). The Company wrote down the investment to a value of \$1. Management estimates that the fair market value of this investment approximates its carrying value.

The Company received 100,000 common shares of Yellowhead Mining Inc. ("Yellowhead") with a value of \$1.40 per share as part proceeds from the sale of its 100% interest in the Harper Creek claims. If after Yellowhead has become listed on a stock market, and the fair market value of the shares held by the Company are below \$140,000, then Yellowhead will pay to the Company the difference in cash. Consequently, the fair value of this investment is estimated to be \$140,000. Yellowhead has not yet become listed on a stock market.

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For the nine months ended August 31, 2008

7. ACQUISITION OF THE MALI PROJECTS

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

In addition to the consideration paid under the agreement, Avion has 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% NSR on the Mali Projects. Avion has an option to buy out this NSR at a price of US\$4,000,000 expiring five years from the date of Closing.

The Company also paid a \$1,000,000 advisory fee to a company controlled by a director of the company.

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
	<u>22,793,090</u>

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)
	<u>22,793,090</u>

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.

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8. AMOUNTS RECEIVABLE

During the quarter, the Company sold approximately 1,000 ounces of gold recovered from the mill. A total of \$707,989 is included in amounts receivable at August 31, 2008, which was received subsequent to the end of the quarter.

9. LONG TERM RECEIVABLE

The long term receivable acquired through the purchase of the Mali projects represents a fuel duty receivable due from the Government of Mali and is recoverable by way of offset against royalties or any taxes that would otherwise be payable to the Government of Mali, including payroll taxes. The receivable is classified as long term due to the uncertainty of when the mine may recommence operations. During the quarter, the Company, through its subsidiary, recovered approximately \$108,000 of this receivable, and accrued a further \$53,000. The balance of the receivable decreased significantly as a result of foreign currency fluctuations. The balance of the receivable at August 31, 2008 is 2,851,639,983 XOF or CDN\$6,664,509.

10. EQUIPMENT

	Cost	Accumulated Amortization	Net
Field equipment	33,610	(2,241)	31,369
Plant equipment	1,948,293	-	1,948,293
	<u>1,981,903</u>	<u>(2,241)</u>	<u>1,979,662</u>

11. MINERAL PROPERTIES

DESCRIPTION	Canada	Ethiopia	Mali	Other	TOTAL
Balance, November 30, 2007	101,749	96,897	-	35,531	234,177
Acquisition and property costs	155,771	152,558	17,571,982	1,600	17,881,911
Development costs	-	-	-	-	-
Exploration costs (i)	211,539	652,934	3,268,566	6,790	4,139,829
Write off of expenditures	(469,059)	-	-	-	(469,059)
TOTAL MINERAL PROPERTIES					
August 31, 2008	-	902,389	20,840,548	43,921	21,786,858

- (i) Gold recovery of \$664,641 has been credited to exploration costs.
The Company incurred approximately \$1,900,000 in drilling costs during the period.

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For the nine months ended August 31, 2008

11. MINERAL PROPERTIES (continued)

Dundonald Property, Ontario, Canada

In January 2008, the Company entered into an option agreement to earn a 75% interest in the Dundonald property in Timmins, Ontario. However, the Company has terminated this option agreement and consequently wrote off \$469,059 in deferred project costs incurred to date.

Ethiopia, Africa

In November 2007, the Company entered into a sale purchase agreement with Aberdeen International Inc. ("Aberdeen") to acquire Aberdeen's option agreement with Ethio-Gibe Canada Mining PLC ("Ethio-Gibe"). Consideration for the option agreement is as follows:

- \$250,000 upon receipt of regulatory approval (paid);
- \$750,000 in either cash or shares on or before June 30, 2008; and
- \$1,000,000 in either cash or shares on or before December 31, 2008.

As at August 31, 2008, the \$750,000 payment due on June 30, 2008 was not paid.

As well, the Company has granted to Aberdeen a 1.5% Royalty and issued Aberdeen 1,500,000 share purchase warrants exercisable at \$0.48 for 18 months. The fair value of these warrants was estimated at \$190,500 using the Black Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 99%; risk-free interest rate – 3.2%; expected life – 18 months. Aberdeen is a related party as it holds more than 10% of the issued and outstanding shares of the company and certain directors and/or officers of the Company are also directors and/or officers of Aberdeen.

The option agreement with 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 provides Aberdeen the option to purchase 50% of the NSR for \$1,000,000 in cash or in shares of the Company. Ethio-Gibe is a related party as the sole owner of Ethio-Gibe is an officer of the Company.

The terms of the agreement are as follows:

- payment of \$200,000 in cash and issuance of 500,000 shares of the Company on or before April 25, 2007; (paid and issued)
- 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 by December 31, 2011.

During the quarter, the Company received \$500,000 in cash and a 1% NSR royalty for consulting relating to the geological evaluation and analysis of a potash project in Ethiopia.

The Company is reviewing various alternatives with respect to the Ethiopian properties.

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12. SHORT TERM DEBENTURE

Pursuant to the agreement to acquire the Mali Projects (Note 7), 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 related party. This loan matures on September 30, 2008, incurs a 10% per annum interest rate, and is secured against the assets of the Company. As consideration for the loan, the Company issued 250,000 share purchase warrants to Aberdeen, where each warrant entitles Aberdeen to acquire one common share of the Company at a price of \$0.38 for a period of 6 months from the date of issue. The fair value of these warrants was estimated at \$21,750 using the Black Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 81%; risk-free interest rate – 2.9%; expected life – 6 months. This was charged to the Statement of Operations as an interest expense. Approximately \$24,000 in interest has been paid to August 31, 2008, with a further \$11,354 accrued at August 31, 008. (See Note 21.)

13. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations were acquired through the purchase of the Tabakoto project, and include costs accrued based on the current best estimate of mine reclamation and closure activities that will be required at the Tabakoto site upon completion of mining activity. These activities include costs for earthworks, including land recontouring and revegetation, water treatment and demolition. The Company's provision for future site closure and reclamation costs is based on known legal requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments. The asset retirement obligation calculation used a credit adjusted risk-free discount rate applicable to Mali of 6.5% and an inflation factor of 3.0%. Although the ultimate amount to be incurred is uncertain, based on development, legal requirements and estimated costs as at August 31, 2008, the total undiscounted liability for asset retirement obligations is estimated to be approximately \$4,700,000. The cash expenditures are expected to occur over a period of time extending several years into the future.

	Nine months ended August 31, 2008	Twelve months ended November 30, 2007
Balance, beginning of period	\$ -	\$ -
Acquisition of Tabakoto project, and asset retirement obligations attributed to this project	(4,263,690)	-
Accretion of interest	(71,405)	-
Balance, end of period	\$ (4,335,095)	\$ -

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14. CAPITAL STOCK

Common shares	Number of Shares	Amount
Balance, November 30, 2006	4,164,562	\$ 8,779,090
Private placement – non-flow through	9,999,996	2,199,999
Issue of warrants - warrant valuation	-	(730,000)
Flow through share tax effect	-	(71,564)
Cost of issue	-	(728,765)
Balance, November 30, 2007	14,164,558	\$ 9,448,760
Private placement (i)	1,111,111	300,000
Private placement (ii)	60,100,000	30,050,000
Issue of warrants - warrant valuation	-	(4,977,606)
Exercise of warrants	50,000	14,500
Exercise of warrants -- value allocation	-	3,650
Shares issued for property acquisition (Note 11)	214,285	75,000
Cost of issue	-	(3,437,262)
Balance, August 31, 2008	75,639,954	\$ 31,477,042

- (i) In December 2007, the Company completed a private placement financing of 1,111,111 units priced at \$0.27 per unit for gross proceeds of \$300,000. Each unit is comprised of one common share and one common share purchase warrant. Each purchase warrant will be exercisable at a price of \$0.36 per share until December 19, 2009. The fair value of these warrants was estimated at \$89,918 using the Black Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 128%; risk-free interest rate – 3.8%; expected life – 2 years. Financing costs related to this private placement amounted to \$16,354.
- (ii) In May 2008, the Company completed a private placement whereby a syndicate of underwriters purchased 60,100,000 Subscription Receipts at a price of \$0.50 per Subscription Receipt for aggregate gross proceeds of \$30,050,000 in connection with the Company's planned acquisition of the Mali Projects. Each Subscription Receipt entitled the holder to acquire, for no additional consideration, one unit of the Company which consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles 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. A value of these warrants of \$4,887,667 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 93%; risk-free interest rate – 2.8%; expected life – 2 years. 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. Each Subscription Receipt automatically converted to common shares and warrants on July 21, 2008

A commission of 6%, or \$1,803,000, was charged by the underwriters related to this private placement. The underwriters were also granted 3,606,000 compensation options whereby one option is exercisable into one common share of the Company at a price of \$0.65 until an expiry date of May 8, 2010. The value of these compensation options was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield – 0%; expected volatility – 93%; risk-free interest rate – 2.8%; expected life – 2 years. A value of \$782,502 was recorded against contributed surplus. As well, the company incurred an additional \$835,406 in share issue costs.

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15. WARRANTS

	August 31, 2008		November 30, 2007	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of period	10,512,571	\$ 0.30	1,047,152	\$ 0.90
Granted	32,911,111	0.63	9,999,996	0.29
Exercised	(50,000)	0.29	-	-
Expired or cancelled	(512,575)	0.57	(534,577)	1.23
Balance, end of period	42,861,107	\$ 0.55	10,512,571	\$ 0.30

A summary of the outstanding warrants as of August 31, 2008 are as follows:

Expiry Date	Exercise Price (\$)	Warrants Outstanding	Value (\$)
September 20, 2008	0.38	250,000	21,750
July 31, 2009	0.48	1,500,000	190,500
October 12, 2009	0.29	9,949,996	726,350
December 19, 2009	0.36	1,111,111	89,918
May 8, 2010	0.65	30,050,000	4,887,687
		42,861,107	5,916,205

16. STOCK OPTIONS

	August 31, 2008		November 30, 2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	-	\$ -	40,556	\$ 1.35
Granted	4,920,000	0.51	-	-
Granted, broker options	3,606,000	0.65	-	-
Exercised	-	-	-	-
Expired or cancelled	(100,000)	0.50	(40,556)	1.35
Balance, end of period	8,426,000	\$ 0.57	-	\$ -

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16. STOCK OPTIONS (continued)

A summary of the outstanding options as of August 31, 2008 are as follows:

Expiry Date	Exercise Price (\$)	Options Outstanding	Options Exercisable	Value (\$)
May 8, 2010	0.65	3,606,000	3,606,000	782,502
January 10, 2013	0.50	1,350,000	1,350,000	456,300
May 27, 2013	0.51	2,850,000	1,350,000	803,161
May 27, 2013	0.65	200,000	50,000	44,024
June 6, 2013	0.51	310,000	38,750	43,075
June 27, 2013	0.51	100,000	12,500	13,929
July 30, 2013	0.40	10,000	10,000	3,210
		<u>8,426,000</u>	<u>6,417,250</u>	<u>2,146,201</u>

The Company granted 4,920,000 stock options to directors, officers and consultants of the Company during the nine months ended August 31, 2008. In January 2008, 1,450,000 stock options were granted in connection with a private placement in October 2007 and vested immediately. The fair value of these stock options of \$490,100, recorded in 2007 as a cost of issue of the private placement, was estimated using the Black-Scholes option pricing model under the following assumptions: expected dividend yield - 0%; expected life - 5 years; expected volatility - 82%; a risk-free interest rate - 3.8%. Of the remaining options, 860,000 vest immediately while 2,610,000 vest quarterly over 2 years with the first vesting period being the date of grant. As a result, a total of \$907,399 in stock based compensation expense was charged to Consulting and management fees related to the fair value of those vested options. The fair value was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

expected dividend yield	0%
expected volatility	111.34%
risk-free interest rate	3.67%
expected life	5 years

17. CONTRIBUTED SURPLUS

	August 31, 2008	November 30, 2007
Balance, beginning of period	\$ 829,900	\$ 339,800
Stock options granted and/or vested during the period	907,399	490,100
Value of compensation options granted during the period	782,502	
Balance, end of period	<u>\$ 2,519,801</u>	<u>\$ 829,900</u>

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18. RELATED PARTY TRANSACTIONS

The Company was charged \$635,833 for the nine months ended August 31, 2008 (2007: \$20,500) for administrative fees, consulting fees and bonuses by directors or by companies controlled by directors of the Company.

The Company shares its premises with other companies that have common directors and officers, and the Company reimburses the related companies for their proportional share of the expenses. Included in accounts payable and accrued liabilities at August 31, 2008 is \$22,127 (2007: \$nil) owing to such companies.

A director of the Company participated in the May 2008 private placement financing subscribing for 200,000 units at a price of \$0.50 per unit.

A total of 3,660,000 options were granted to directors and officers of the Company during the nine months ended August 31, 2008.

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 (Note 7).

Aberdeen owns more than 10% of the issued and outstanding shares of the Company. As well, the Company and Aberdeen share common directors and officers. See also Notes 8, 11 and 21.

An officer of the Company is also the sole shareholder of Ethio-Gibe. See Note 11.

19. COMMITMENTS

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$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 \$500,000 due within one year.

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 August 31, 2008.

20. SEGMENTED INFORMATION

	Current Assets	Mineral Properties	Equipment	Other Long Term Assets	TOTAL ASSETS
<u>August 31, 2008</u>					
Canada	254,718	-	-	140,001	394,719
Africa	5,742,769	21,786,858	1,979,662	6,664,509	36,173,798
					-
	5,997,487	21,786,858	1,979,662	6,804,510	36,568,517
<u>November 30, 2007</u>					
Canada	1,553,425	101,749	-	293,001	1,948,175
Africa	-	132,428	-	-	132,428
					-
	1,553,425	234,177	-	293,001	2,080,603

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21. SUBSEQUENT EVENTS

- (i) In October 2008, the Company entered into an agreement to sell 50% of its 80% interest in the Segala gold project located in Mali, West Africa to Dynamite Resources Inc. Avion Resources will retain a 40% interest in the Segala Gold Project, with the remaining 20% interest held by the Government of Mali. Avion Resources also holds an 80% interest in the neighbouring Tabakoto gold project and its related mining infrastructure and processing facilities.

In consideration for acquiring a 40% interest in Segala, Dynamite Resources Inc. ("Dynamite"), a Canadian junior mining company, has agreed to pay US\$5 million. This amount is to be provided to Avion Resources as a short-term loan. Upon satisfaction of certain conditions precedent, the principal amount of the loan shall be applied as the purchase price for the Transaction. Conditions precedent to the closing of the Transaction include the receipt of all necessary third party approvals, including approval of the TSX Venture Exchange and the Government of Mali, as required.

Avion Resources shall be entitled to re-purchase from Dynamite a 20% interest in the Segala property (the "Back-in Right"), so that it holds an aggregate 60% interest in the property, in consideration for a cash payment equal to: (i) US\$10 million, and (ii) an amount equal to the revenue realized by the Corporation in respect of the sale of the first 22,000 ounces of gold produced from Segala, less any and all amounts paid by Avion Resources to Dynamite in respect of such sales, and less all direct expenditures and costs incurred in respect of the Gold produced at Segala.

The Corporation and Dynamite have agreed to enter into a Joint Venture in respect of the Segala project that shall commence on the exercise or expiry of the Back-in Right. Avion Resources shall have the right to drag-along Dynamite in the event of any change of control affecting the property and Dynamite shall hold a right of first refusal in respect of any sale of an interest held by the Corporation in the Segala and/or Tabakoto properties.

Dynamite has agreed to provide the Corporation with a US\$5 million loan. The loan is to be secured against the assets of Avion Resources and the shares of its subsidiaries. Amounts outstanding under the loan shall accrue interest at a rate of 10% per year. The loan shall mature upon the occurrence of certain conditions and no later than March 31, 2010.

The proposed transaction is not a related party transaction under applicable securities law, but it is a non-arm's length transaction under the rules of the TSX Venture Exchange because Avion Resources and Dynamite have a director and officer in common.

- (ii) The Company has entered into an agreement with Aberdeen with respect to the US\$1,000,000 debenture that is payable on September 30, 2008. Aberdeen has granted a one year extension to the Company whereby the debenture will become due and payable on September 30, 2009. In exchange for this debenture, the Company will be required to pay US\$25,000 on October 31, 2008 and another US\$25,000 on March 31, 2009. As well, the Company will be required to issue 2,000,000 warrants of the company at an exercise price of \$0.20 per common share exercisable one year from the date of grant. Also, the principle of the debenture will increase 30% for each \$100 incremental increase in the price of gold starting at a base price of \$900, based on the 12 month average of the London PM Gold Fixing commencing October 31, 2008.