

ARRANGEMENT AGREEMENT

between

AVION RESOURCES CORP.

and

DYNAMITE RESOURCES LTD.

March 18, 2009

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ARRANGEMENT AGREEMENT

THIS AGREEMENT made as of the 18th day of March, 2009

B E T W E E N:

AVION RESOURCES CORP.,
a corporation existing under the laws of British Columbia

(“**Avion**”)

- and -

DYNAMITE RESOURCES LTD.,
a corporation existing under the laws of Canada

(“**Dynamite**”)

WITNESSES THAT:

WHEREAS Avion seeks to acquire all of the issued and outstanding Common Shares of Dynamite in exchange for common shares of Avion;

AND WHEREAS the Parties hereto intend to carry out the proposed acquisition by way of a plan of arrangement under the provisions of the *Canada Business Corporations Act*;

NOW THEREFORE in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the Parties hereto, the Parties hereto do hereby covenant and agree as follows:

ARTICLE ONE DEFINITIONS, INTERPRETATION AND SCHEDULES

Section 1.1 Definitions

In this Agreement, unless the context otherwise requires, the following words and terms with the initial letter or letters thereof capitalized shall have the meanings ascribed to them below:

- (a) **“Acquisition Company”** means, if applicable, such entity that acquires directly or indirectly from Dynamite, all of the shares and inter-company debt or assets of Tau Mining Limited and 727189 BC Ltd. in exchange for Acquisition Company Securities;
- (b) **“Acquisition Company Securities”** means, if applicable, any common shares and/or warrants of Acquisition Company held by Dynamite immediately before the Effective Time;
- (c) **“Acquisition Proposal”** means any proposal or offer made by a third party (including a stated intention to make a proposal or offer) regarding a merger, amalgamation, statutory arrangement, share exchange, business combination, recapitalization, take-over bid, tender offer, sale or other disposition of 20% or more of the assets of Dynamite (on a consolidated basis) in a single transaction or a series of related transactions (or any lease, long-term supply agreement or other arrangement having the same economic effect as a sale or other disposition of 20% or more of the assets of Dynamite), reorganization, liquidation, winding-up, sale, issue or redemption of 20% or more of the total number of common shares or rights or interests therein or thereto or similar transactions involving Dynamite and/or the Dynamite Subsidiaries (other than the Transaction);
- (d) **“Agreement”** means this arrangement agreement, together with the Schedules attached hereto, as amended or supplemented from time to time;
- (e) **“applicable privacy laws”** means any and all applicable Laws relating to privacy and the collection, use and disclosure of Personal Information in all applicable jurisdictions, including but not limited to the *Personal Information Protection and Electronic Documents Act* (Canada);
- (f) **“Applicable Securities Laws”** means the securities laws in force in all Provinces of Canada;
- (g) **“Arrangement”** means an arrangement under the provisions of Section 192 of the CBCA on the terms and conditions set forth in the Plan of Arrangement, subject to any amendment, variation or supplement thereto (i) made in accordance with Section 5.1 of the Plan of Arrangement or (ii) made at the direction of the Court in the Final Order and with the consent of Avion and Dynamite, each acting reasonably;
- (h) **“Avion”** means Avion Resources Corp., a corporation existing under the laws of British Columbia;
- (i) **“Avion Common Shares”** mean common shares in the capital of Avion;

- (j) “**Avion Disclosure Letter**” means the letter of even date herewith delivered by Avion to Dynamite in a form accepted by Dynamite with respect to certain matters in this Agreement;
- (k) “**Avion Documents**” means all press releases, forms, reports, schedules, financial statements, management’s discussions and analysis of financial conditions and operations, certifications, annual information forms, management information circulars, material change reports and other documents required to be filed by Avion since June 1, 2007 (such forms, reports, schedules, statements, certifications and other documents to include any financial statements or other documents, including any schedules included therein);
- (l) “**Avion Financial Statements**” means the audited balance sheet, audited statements of operations and deficit and audited statement of cash flows of Avion for the financial years ended November 30, 2007 and November 30, 2006 and the unaudited consolidated balance sheet, unaudited consolidated statements of operations and deficit and unaudited consolidated statement of cash flows of Avion for the period ended August 31, 2008;
- (m) “**Avion Material Properties**” means the 80% interest in the Tabakato project in Mali and the 40% interest in the Segala property in Mali, as more particularly described in Section 1.1(p);
- (n) “**Avion Options**” means 7,420,000 options to purchase Avion Common Shares ranging in expiry dates from January 1, 2013 to February 10, 2014 and ranging in exercise price from \$0.20 to \$0.65
- (o) “**Avion Option Plan**” means the stock option plan adopted by Avion on March 29, 2005 and re-approved by the shareholders of Avion on May 12, 2008;
- (p) “**Avion Properties**” means the 80% interest in the Tabakato project in Mali and the 40% interest in the Segala property in Mali and the Ethiopian Exploration package in Ethiopia, as more particularly described in Avion’s Annual Information Form dated June 12, 2008;
- (q) “**Avion Subsidiaries**” means Avion Africa (Barbados) Limited, Nevsun Resources (Mali) Ltd., Nevsun Mali Limited, Tambaoura Mining Company SA, Segala Mining Corporation SA and Nevsun (Mali) Exploration Limited, collectively;
- (r) “**Avion Warrants**” means 67,202,107 common share purchase warrants of Avion ranging in expiry dates from July 31, 2009 to July 10, 2010 and ranging in exercise price from \$0.08 to \$0.65;
- (s) “**Business Day**” means any day, other than a Saturday, a Sunday or a statutory holiday in the Provinces of Ontario or British Columbia;
- (t) “**Canadian GAAP**” means accounting principles generally accepted in Canada;
- (u) “**CBCA**” means the *Canada Business Corporations Act*;
- (v) “**Change in Recommendation**” shall have the meaning ascribed thereto in Section 6.2(d);
- (w) “**Code**” shall have the meaning ascribed thereto in Section 2.9;
- (x) “**Completion Deadline**” means the date by which the Transaction is to be completed, which date] shall be no later than June 30, 2009;

- (y) “**Confidentiality Agreement**” means the confidentiality agreement dated January 16, 2009 between Avion and Dynamite;
- (z) “**Convertible Securities**” means options, warrants, , conversion privileges, convertible securities, exchangeable securities and other rights to acquire common shares;
- (aa) “**Court**” means the Ontario Superior Court of Justice
- (bb) “**Director**” means the Director appointed pursuant to Section 260 of the CBCA;
- (cc) “**Dissent Rights**” means the rights of dissent in respect of the Arrangement described in the Plan of Arrangement;
- (dd) “**Dynamite**” means Dynamite Resources Ltd., a corporation incorporated under the CBCA;
- (ee) “**Dynamite Common Shares**” means common shares in the capital of Dynamite;
- (ff) “**Dynamite Disclosure Letter**” means the letter of even date herewith delivered by Dynamite to Avion in a form accepted by Avion with respect to certain matters in this Agreement;
- (gg) “**Dynamite Documents**” means all press releases, forms, reports, schedules, financial statements, management’s discussions and analysis of financial conditions and operations, certifications, annual information forms, management information circulars, material change reports and other documents required to be filed by Dynamite since June 14, 2006 (such forms, reports, schedules, statements, certifications and other documents to include any financial statements or other documents, including any schedules included therein);
- (hh) “**Dynamite Financial Statements**” means the audited consolidated balance sheets, audited consolidated statements of shareholders’ equity, audited consolidated statement of operations and deficit and audited consolidated statements of cash flows of Dynamite for the financial years ended July 31, 2008 and July 31, 2007 and the unaudited consolidated balance sheets, unaudited consolidated statements of operations and deficit and unaudited consolidated statement of cash flows of Dynamite for the period ended October 31, 2008;
- (ii) “**Dynamite Material Property**” means the 40% interest in the Segala property in Mali;
- (jj) “**Dynamite Meeting**” means the special meeting, including any adjournments or postponements thereof, of the Dynamite Shareholders to be held, among other things, to consider and, if deemed advisable, to approve the Dynamite Resolution and the Stated Capital Resolution;
- (kk) “**Dynamite Options**” means 8,675,000 options to purchase Dynamite Common Shares ranging in expiry dates from February 9 2011 to February 6, 2013 and ranging in exercise price from \$0.25 to \$0.80 and the Tau Options;
- (ll) “**Dynamite Option Plans**” means the stock option plan of Dynamite approved by Dynamite Shareholders at a special meeting in January 2008;
- (mm) “**Dynamite Properties**” means the 40% interest in the Segala property in Mali and the Transferred Properties;

- (nn) “**Dynamite Resolutions**” means the special resolutions of the Dynamite Shareholders voting together as a single class approving the Arrangement and this Agreement;
- (oo) “**Dynamite Shareholders**” means, at any time, the holders of Dynamite Common Shares;
- (pp) “**Dynamite Shareholder Approval**” shall have the meaning ascribed to such term in Section 2.6(b) hereof;
- (qq) “**Dynamite Subsidiaries**” means 0722539 B.C. Ltd., Tau Mining Limited, LLP, Long Alpha Mining Company and Onyx Resources Group Ltd.
- (rr) “**Dynamite Warrants**” means 103,435,000 common share purchase warrants of Dynamite ranging in expiry dates from March 26, 2009 to August 17, 2009 and ranging in exercise price from \$0.25 to \$1.00;
- (ss) “**Effective Date**” shall have the meaning ascribed to such term in the Plan of Arrangement;
- (tt) “**Effective Time**” shall have the meaning ascribed to such term in the Plan of Arrangement;
- (uu) “**Encumbrance**” means any mortgage, pledge, assignment, charge, lien, claim, security interest, adverse interest, other third Person interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;
- (vv) “**Environmental Approvals**” means all authorizations, approvals, orders, consents, filings, licenses or permits issued by any Governmental Entity;
- (ww) “**Environmental Laws**” means all applicable Laws, including applicable common law, relating to the protection of the environment and employee and public health and safety, and includes Environmental Approvals;
- (xx) “**Ethiopian Exploration package in Ethiopia**” means 100% of the exclusive rights granted by the Ministry of Mineral Energy of Ethiopia to Ethio-Gibe Canada Mining PLC on certain Gold Copper-Zinc exploration concessions in Ethiopia acquired by Avion from Aberdeen International Inc. in November 2007;
- (yy) “**Exchange**” means the TSX Venture Exchange;
- (zz) “**Final Order**” means the final order of the Court approving the Arrangement, as such order may be amended (with the consent of Avion and Dynamite, each acting reasonably) at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;
- (aaa) “**Governmental Entity**” means any applicable: (i) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, whether domestic or foreign, (ii) any subdivision, agency, commission, board or authority of any of the foregoing, or (iii) any quasi governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

- (bbb) “**Hazardous Substance**” means any chemical, material or substance in any form, whether solid, liquid, gaseous, semisolid or any combination thereof, whether waste material, raw material, finished product, intermediate product, byproduct or any other material or article, that is listed or regulated under any Environmental Laws as a hazardous substance, toxic substance, waste or contaminant or is otherwise listed or regulated under any Environmental Laws because it poses a hazard to human health or the environment, including petroleum products, asbestos, PCBs, urea formaldehyde foam insulation and lead-containing paints or coatings;
- (ccc) “**Interim Order**” means the interim order of the Court, as such order may be amended (with the consent of Avion and Dynamite, each acting reasonably) made in connection with the Arrangement as contemplated in Section 2.6, providing for, among other things, the calling and holding of the Dynamite Meeting;
- (ddd) “**Laws**” means all laws, by-laws, rules, regulations, orders, ordinances, protocols, codes, instruments, policies, notices, directions and judgments or other requirements of any Governmental Entity;
- (eee) “**Letter Agreement**” has the meaning ascribed thereto in Section 8.5 hereof;
- (fff) “**Liability**” of any Person means and includes: (i) any right against such Person to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; (ii) any right against such Person to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to any equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured; and (iii) any obligation of such Person for the performance of any covenant or agreement (whether for the payment of money or otherwise);
- (ggg) “**Material Adverse Effect**” means, in respect of either Party, an effect that is material and adverse to the business, properties, assets, liabilities (including any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), capitalization, condition (financial or otherwise), operations or results of operations of that Party and its Subsidiaries and material joint ventures taken as a whole, other than any change, effect, event or occurrence:
- (i) relating to the global economy, political conditions or securities markets in general;
 - (ii) affecting the worldwide gold mining industry in general;
 - (iii) relating to a change in the market trading price of publicly traded securities of that Party, either:
 - (A) related to this Agreement and the Transaction or the announcement thereof, or
 - (B) related to such a change in the market trading price primarily resulting from a change, effect, event or occurrence excluded from this definition of Material Adverse Effect under clauses (i), (ii), (iv), (v) or (vi) hereof;

- (iv) relating to any of the principal markets served by that Party's business generally or shortages or price changes with respect to raw materials, metals or other products used or sold by that Party;
- (v) relating to the rate at which Canadian dollars can be exchanged for United States dollars or vice versa;
- (vi) relating to any generally applicable change in applicable laws or regulations (other than orders, judgments or decrees against that Party and/or any of its Subsidiaries and material joint ventures) or in Canadian generally accepted accounting principles; or
- (vii) attributable to the announcement or pendency of this Agreement or the Transaction, or otherwise contemplated by or resulting from the terms of this Agreement,

provided, however, that such effect referred to in clauses (i), (ii), (iv) or (vi) above does not primarily relate only to (or have the effect of primarily relating only to) that Party and its Subsidiaries and material joint ventures, taken as a whole, or disproportionately adversely affect that Party and its subsidiaries and material joint ventures taken as a whole, compared to other companies of similar size operating in the industry in which that Party and its Subsidiaries and material joint ventures operate;

- (hhh) "**Mining Rights**" means either freehold title, mining leases, mining concessions, mining claims or participating interests or other conventional property or proprietary interests or rights recognized in the jurisdiction in which each of the applicable properties is located;
- (iii) "**Net Cash Deficit**" has the meaning ascribed in section 5.3(g) hereof;
- (jjj) "**Party**" means either of Dynamite or Avion, as applicable, and "**Parties**" means Dynamite and Avion;
- (kkk) "**Person**" means any individual, partnership, company, corporation, firm, unincorporated association, joint venture, trust, the Crown or any other agency or instrumentality thereof or any other judicial entity or person, government or governmental agency, authority or entity howsoever designated or constituted;
- (lll) "**Personal Information**" means information about an individual transferred to Avion by Dynamite as a condition of the Arrangement, but does not include an individual's name, position name or title, business telephone number, business address, business email or business fax number;
- (mmm) "**Plan of Arrangement**" means the plan of arrangement substantially in the form and content of Schedule A attached hereto and any amendment or variation thereto made in accordance with Section 5.1 of the Plan of Arrangement, this Agreement or made at the direction of the Court in the Final Order;
- (nnn) "**Proxy Circular**" means the management information circular to be prepared by Dynamite in respect of the Dynamite Meeting;
- (ooo) "**Release**" means any release, spill, leak, discharge, abandonment, disposal, pumping, pouring, emitting, emptying, injecting, leaching, dumping, depositing, dispersing, passive migration,

- allowing to escape or migrate into or through the environment (including ambient air, surface water, ground water, land surface and subsurface strata or within any building, structure, facility or fixture) of any Hazardous Substance, including the abandonment or discarding of Hazardous Substances in barrels, drums, tanks or other containers, regardless of when discovered;
- (ppp) “**Remedial Action**” means any investigation, feasibility study, monitoring, testing, sampling, removal (including removal of underground storage tanks), restoration, clean-up, remediation, closure, site restoration, remedial response or remedial work;
- (qqq) “**Sale Transaction**” means sale of all of the shares and inter-company debt or assets of Tau Mining Limited and 727189 BC Ltd. in exchange for Acquisition Company Securities;
- (rrr) “**SEC**” means the United States Securities and Exchange Commission;
- (sss) “**Securities Authorities**” means the Ontario Securities Commission and the other securities regulatory authorities in the provinces and territories of Canada;
- (ttt) “**SEDAR**” means the System for Electronic Document Analysis and Retrieval;
- (uuu) “**Share Exchange Ratio**” means 0.75 of an Avion Common Share for each one Dynamite Common Share;
- (vvv) “**Stated Capital Resolution**” has the meaning ascribed thereto in Section 2.41(b) hereof;
- (www) “**Superior Proposal**” means a *bona fide* written Acquisition Proposal made by a third party to, directly or indirectly, acquire assets that individually or in the aggregate constitute more than 50% of the assets (on a consolidated basis) of Dynamite or not less than 50% of the Dynamite Common Shares whether by way of merger, amalgamation, arrangement, share exchange, take-over bid, business combination, or otherwise, and that the board of directors of Dynamite determines in good faith after consultation with its financial advisors and outside legal counsel: (a) is reasonably capable of being completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such proposal and the party making such proposal; (b) is not subject to any due diligence conditions(s); (c) is fully financed or is reasonably capable of being fully financed; (d) that is offered or made to all Dynamite Shareholders in Canada and the United States on the same terms; and (e) would, in the opinion of the board of directors of Dynamite acting in good faith, if consummated in accordance with its terms (without assuming away the risk of non-completion), result in a transaction more favourable to the Dynamite Shareholders, from a financial point of view, than the terms of the Transaction;
- (xxx) “**Superior Proposal Notice**” has the meaning ascribed thereto in Section 6.3(a) hereof;
- (yyy) “**Tau Options**” means the options which entitle the holder to receive one quarter of one Tau Mining Limited ordinary share with each such whole Tau Mining Limited ordinary share being automatically exchanged without any further action by the holder thereof, into one Common Share;
- (zzz) “**Tax**” and “**Taxes**” means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any Governmental Entity, including all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, *ad valorem*

taxes, value added taxes, transfer taxes (including, without limitation, taxes relating to the transfer of interests in real property or entities holding interests therein), franchise taxes, licence taxes, withholding taxes, payroll taxes, employment taxes, Canada or Québec Pension Plan premiums, excise, severance, social security, workers' compensation, employment insurance or compensation taxes or premium, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, customs duties or other taxes, fees, imports, assessments or charges of any kind whatsoever, together with any interest and any penalties or additional amounts imposed by any taxing authority (domestic or foreign) on such entity, and any interest, penalties, additional taxes and additions to tax imposed with respect to the foregoing;

- (aaaa) "**Tax Act**" means the *Income Tax Act* (Canada), as amended and the regulations thereunder, as amended;
- (bbbb) "**Tax Exempt Person**" means a person who is exempt from tax under Part 1 of the Tax Act;
- (cccc) "**Tax Returns**" means all returns, schedules, elections, declarations, reports, information returns, notices, forms, statements and other documents made, prepared or filed with any taxing authority or required to be made, prepared or filed with any taxing authority relating to Taxes;
- (dddd) "**Termination Payment**" has the meaning ascribed thereto in Section 6.4 hereof;
- (eeee) "**Transaction**" means the consummation of the Arrangement as contemplated herein;
- (ffff) "**Transferred Properties**" means the option agreement to earn a 100% interest in the Mike Lake Property in the Yukon and the Kokomeran, Barskaun, Arabelsu & Moldatau properties in Kyrgyz Republic.
- (gggg) "**U.S. Exchange Act**" means the *United States Securities Exchange Act of 1934*, as amended; and
- (hhhh) "**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended.

In addition, words and phrases used herein and defined in the CBCA shall have the same meaning herein as in the CBCA unless the context otherwise requires.

Section 1.2 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections, subsections, paragraphs and subparagraphs and the insertion of headings herein are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein", "hereto", "hereunder" and similar expressions refer to this Agreement and the schedules attached hereto and not to any particular article, section or other portion hereof and include any agreement, schedule or instrument supplementary or ancillary hereto or thereto.

Section 1.3 Number, Gender and Persons

In this Agreement, unless the context otherwise requires, words importing the singular only shall include the plural and vice versa and words importing the use of either gender shall include both genders and neuter.

Section 1.4 Date for any Action

If the date on which any action is required to be taken hereunder by any Party is not a Business Day in the place such action is required to be taken, such action shall be required to be taken on the next succeeding day that is a Business Day in such place.

Section 1.5 Statutory References

Any reference in this Agreement to a statute includes all regulations and rules made thereunder, all amendments to such statute or regulation in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation.

Section 1.6 Currency

Unless otherwise stated, all references in this Agreement to amounts of money are expressed in lawful money of Canada.

Section 1.7 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

Section 1.8 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement shall have the meaning attributable thereto under Canadian GAAP and all determinations of an accounting nature required to be made hereunder shall be made in a manner consistent with Canadian GAAP.

Section 1.9 Knowledge

Where the phrases “to the knowledge of Avion” or “to Avion’s knowledge” or “to the knowledge of Dynamite” or “to Dynamite’s knowledge” are used: (i) in respect of Avion, Dynamite or the Dynamite Subsidiaries, such phrase shall mean, in respect of each representation and warranty or other statement which is qualified by such phrase, that such representation and warranty or other statement is being made based upon: (A) in the case of Avion, the collective actual knowledge (after reasonable inquiry of those who ought to know) of John Begeman, Gregory Duras, Don Dudek and Andrew Bradfield; and (B) in the case of Dynamite and the Dynamite Subsidiaries, the collective actual knowledge (after reasonable inquiry of those who ought to know) of David Argyle and Deborah Battiston.

Section 1.10 Schedules

The following schedules are attached to, and are deemed to be incorporated into and form part of, this Agreement:

| <u>Schedule</u> | <u>Matter</u> |
|-----------------|---------------------|
| A | Plan of Arrangement |

ARTICLE TWO THE ARRANGEMENT

Section 2.1 Pre-Arrangement Sale Transaction

The Parties agree that Dynamite will actively try to dispose of all or a portion of the Transferred Properties, directly or indirectly prior to the Effective Date for the sole benefit of Dynamite Shareholders up to but not exceeding a deemed realized aggregate value to Dynamite Shareholders of \$2,500,000 determined on a basis acceptable to Avion, acting reasonably. Dynamite hereby acknowledges and agrees that any realized value above \$2,500,000 and any of the Transferred Properties or portion thereof not so transferred by Dynamite, directly or indirectly, prior to the Effective Date shall be for the sole benefit of Dynamite upon completion of the Transaction and any such proceeds in excess of \$2,500,000 shall not be included in the calculation of the cash position of Dynamite for the purpose of the representation set out in Section 3.1(II) herein and the condition contained in Section 5.3(g) herein.

Section 2.2 Arrangement

At the Effective Time, the Plan of Arrangement shall become effective, with the result that, among other things, the issued and outstanding Dynamite Common Shares will be exchanged for Class A shares of Dynamite and Acquisition Company Securities, issued and outstanding Class A Shares will be exchanged for Avion Common Shares and Avion will become the holder of all of the issued and outstanding Class A Shares, Dynamite Options will be replaced with options of Avion and Dynamite Warrants will become exercisable into Avion Common Shares on the basis of the Share Exchange Ratio, all as set forth in the Plan of Arrangement.

Section 2.3 Consultation

Avion and Dynamite will consult with each other in issuing any press release or otherwise making any public statement with respect to this Agreement or the Arrangement and in making any filing with any Governmental Entity, Securities Authority or the Exchange with respect thereto. Each of Avion and Dynamite shall use its commercially reasonable efforts to enable the other Party to review and comment on all such press releases and filings prior to the release or filing, respectively, thereof.

Section 2.4 Implementation Steps by Dynamite

Subject to the terms of this Agreement, Dynamite covenants in favour of Avion that Dynamite shall:

- (a) as soon as reasonably practicable, after the date hereof, apply in a manner acceptable to Avion, acting reasonably, under Section 192 of the CBCA for the Interim Order, and thereafter proceed with such application and diligently seek the Interim Order;
- (b) lawfully convene and hold the Dynamite Meeting for the purpose of considering the Dynamite Resolution and, if required, for the purposes of passing a special resolution of the shareholders to reduce the stated capital of Dynamite in order to meet the solvency test under section 192(2) of the CBCA and/or to effect a return of capital to Dynamite Shareholders by way of a distribution of Acquisition Company Securities (the “**Stated Capital Resolution**”) (and for no other purpose unless agreed to by Avion) on April 14, 2009, or as soon as reasonably practicable, and in any event, no later than May 15, 2009, or such other date as the Parties may agree to in writing subject to adjournments or

postponements which may be permitted pursuant to the terms of the Interim Order, and provided that Avion has satisfied its obligations as provided in Section 4.2(b) hereof;

- (c) subject to obtaining the approvals as are required by the Interim Order, as soon as practicable after the Dynamite Meeting, proceed with and diligently pursue the application to the Court for the Final Order approving the Arrangement;
- (d) subject to obtaining the Final Order and the satisfaction or waiver of the other conditions herein contained in favour of each Party, as soon as reasonably practicable, take all steps and actions, including without limitation making all necessary filings with Governmental Entities to give effect to the Arrangement;
- (e) permit Avion to review and comment upon drafts of all materials to be filed by Dynamite with the Court in connection with the Arrangement, including without limitation, the Proxy Circular and any supplement or amendment contemplated by this Agreement, permit Avion to provide the disclosure with respect to Avion to be included in the Proxy Circular (including *pro forma* financial statements) and any supplement or amendment contemplated by this Agreement and provide Avion on a timely basis with copies of any notice of appearance and evidence served on Dynamite or its counsel in respect of the application for the Interim Order and the Final Order or any appeal therefrom and of any notice (written or oral) received by Dynamite indicating any intention to oppose the granting of the Interim Order or the Final Order or to appeal the Interim Order or the Final Order;
- (f) not file any material with the Court in connection with the Arrangement or serve any such material, and not agree to modify or amend materials so filed or served except as expressly permitted hereby or with Avion's prior written consent, such consent not to be unreasonably withheld or delayed; and
- (g) following the issue of the Final Order and the satisfaction, fulfillment or waiver of the conditions in favour of Avion and Dynamite set forth herein, at a time and on a date, on or before the Completion Deadline, to be agreed by Avion and Dynamite, file the Final Order and such other documents as required by the Director in order for the Arrangement to become effective.

Section 2.5 Implementation Steps by Avion

Avion covenants in favour of Dynamite that Avion shall:

- (a) review and comment on, or provide disclosure for, in a timely manner without delay, all materials delivered to Avion by Dynamite under Section 2.4 for its review and comment or which requires the provision of disclosure;
- (b) cooperate with and consent to Dynamite seeking the Interim Order and the Final Order;
- (c) prior to the Effective Time, use its commercially reasonable efforts to cause the Avion Common Shares issuable pursuant to the Arrangement to be conditionally approved for listing on the Exchange; and
- (d) take all actions necessary to appoint two nominees of Dynamite to Avion's board of directors effective upon the completion of the Plan of Arrangement to give effect to the condition contemplated in Section 5.1(g).

Section 2.6 Interim Order

The Interim Order shall provide:

- (a) for the class of Persons to whom notice is to be provided in respect of the Arrangement and the Dynamite Meeting and for the manner in which such notice is to be provided;
- (b) that the requisite approval for the Dynamite Resolution and the Stated Capital Resolution shall be 66⅔% of the votes cast on the Dynamite Resolution and the Stated Capital Resolution by the Dynamite Shareholders voting in person or by proxy at the Dynamite Meeting (the “**Dynamite Shareholder Approval**”) (subject to any exclusions as required by Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*);
- (c) that in all other respects, the terms, conditions and restrictions of Dynamite’s constating documents, including quorum requirements and other matters, shall apply in respect of the Dynamite Meeting;
- (d) for the grant of the Dissent Rights;
- (e) for notice requirements with respect to the presentation of the application to the Court for the Final Order;
- (f) that the Dynamite Meeting may be adjourned or postponed from time to time by management of Dynamite without the need for additional approval of the Court;
- (g) that the record date for Dynamite Shareholders entitled to notice of their right to vote at the Dynamite Meeting will not change in respect of any adjournment(s) or postponement(s) of the Dynamite Meeting; and
- (h) notice to Avion of the Dynamite Meeting and the right of the representatives of Avion to attend the Dynamite Meeting.

The notices of motion and related materials for the applications referred to in this Section 2.6 shall be in a form satisfactory to Avion and Dynamite, each acting reasonably.

Section 2.7 Proxy Circular

Dynamite shall prepare and file, together with any other documents required by applicable Laws, in all jurisdictions where the Proxy Circular is required to be filed, and mail the Proxy Circular as soon as practicable, but in any event within the prescribed time in order to hold the Dynamite Meeting on April 28, 2009 or as soon as reasonably practicable and in any event no later than May 15, 2009 (provided that Avion has satisfied its obligations as provided in Section 4.2(b)), as ordered by the Interim Order and in accordance with all applicable Laws, in and to all jurisdictions where the Proxy Circular is required to be mailed, complying in all material respects with all applicable Laws on the date of the mailing thereof and in the form and containing the information required by all applicable Laws, including all applicable corporate and securities legislation and requirements and not containing any misrepresentation (as defined under applicable securities legislation and requirements) with respect thereto, other than with respect to any information relating to or provided by Avion. Each Party shall promptly notify the other Parties if, at any time prior to the Effective Date, it becomes aware that the Proxy Circular contains a misrepresentation. In such event, Dynamite shall promptly prepare a supplement or amendment to the Circular, as the case may be, that corrects the misrepresentation, and will cause the same to be distributed to Dynamite Shareholders and filed in each jurisdiction where such supplement or amendments is required to be filed by applicable Laws.

Section 2.8 Closing

The closing of the Arrangement will take place at the offices of Cassels Brock & Blackwell LLP, 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3C2 at 8:00 a.m. (Toronto Time) on the Effective Date, which date shall be no later than the date which is five Business Days following the date on which all conditions to the completion of the Transaction have been fulfilled to the satisfaction of the Parties in whose favour such conditions apply.

Section 2.9 U.S. Tax Matters

The Arrangement is intended to qualify as a reorganization within the meaning of Section 368(a) of the U.S. Internal Revenue Code (the “Code”) and this Agreement is intended to be a “plan of reorganization” within the meaning of the Treasury Regulations promulgated under Section 368 of the Code. Each Party hereto agrees to treat the Arrangement as a reorganization with the meaning of Section 368(a) of the Code for all U.S. federal income tax purposes, and agrees to treat this Agreement as a “plan of reorganization” within the meaning of the Treasury Regulations promulgated under Section 368 of the Code, and to not take any position on any Tax Return or otherwise take any Tax reporting position inconsistent with such treatment, unless otherwise required by U.S. federal income tax law. Each Party hereto agrees to act in a manner that is consistent with the Parties’ intention that the Arrangement be treated as a reorganization with the meaning of Section 368(a) of the Code for all U.S. federal income tax purposes.

ARTICLE THREE REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of Dynamite

Dynamite hereby represents and warrants to Avion, and hereby acknowledges that Avion is relying upon such representations and warranties in connection with entering into this Agreement and agreeing to complete the Arrangement, as follows, save and except as set out in the Dynamite Disclosure Letter:

- (a) Organization. Each of Dynamite and the Dynamite Subsidiaries has been incorporated, is validly subsisting under the laws of its respective jurisdiction of incorporation and has full corporate or legal power and authority to own its property and assets and to conduct its business as currently owned and conducted by it. Each of Dynamite and the Dynamite Subsidiaries is registered, licensed or otherwise qualified as an extra-provincial corporation or a foreign corporation in each jurisdiction where the nature of the business or its activities or the location or character of the property and assets owned or leased by it requires it to be so registered, licensed or otherwise qualified, other than those jurisdictions where the failure to be so registered, licensed or otherwise qualified would not have a Material Adverse Effect on Dynamite. All of the outstanding shares and other ownership interests in each of the Dynamite Subsidiaries have been duly authorized and validly issued, and are fully paid and non-assessable (where such concept exists under the laws governing the Dynamite Subsidiaries). All of the outstanding shares of the Dynamite Subsidiaries are wholly-owned, directly or indirectly, by Dynamite. Except pursuant to restrictions on transfer contained in the articles or by-laws (or their equivalent) of the Dynamite Subsidiaries, the outstanding shares of the Dynamite Subsidiaries are owned free and clear of all Encumbrances.
- (b) Capitalization. The authorized capital of Dynamite consists of an unlimited number of Dynamite Common Shares. As at March 16, 2009, there were: (i) 113,535,000 Common Shares outstanding; (ii) Dynamite Options to acquire an aggregate of 8,675,000 Dynamite Common

Shares outstanding; and (iii) Dynamite Warrants that are exercisable into an aggregate of 103,435,000 Dynamite Common Shares. Except pursuant to this Agreement and the Transaction and except as disclosed in the Dynamite Disclosure Letter, there are no Convertible Securities or other rights, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) obligating Dynamite or any Dynamite Subsidiary to issue or sell any Dynamite Common Shares, or any shares of the Dynamite Subsidiaries, any securities or obligations of any kind convertible into or exchangeable for any Dynamite Common Shares or any shares of a Dynamite Subsidiary or any other Person. All outstanding Dynamite Common Shares have been duly authorized and are validly issued and outstanding as fully paid and non-assessable shares, free of pre-emptive rights. As of the date hereof, there are no outstanding bonds, debentures or other evidences of indebtedness of Dynamite or a Dynamite Subsidiary having the right to vote with the Dynamite Shareholders on any matter. There are no outstanding contractual obligations of Dynamite or a Dynamite Subsidiary to repurchase, redeem or otherwise acquire any outstanding Dynamite Common Shares or with respect to the voting or disposition of any outstanding Dynamite Common Shares. Dynamite has not adopted and is not a party to any shareholder rights plan.

- (c) Authority. Dynamite has all necessary power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by Dynamite as contemplated by this Agreement, and to perform its obligations hereunder and under such other agreements and instruments. The execution and delivery of this Agreement by Dynamite and the completion by Dynamite of the Transaction have been authorized by the directors of Dynamite and, subject to obtaining the Dynamite Shareholder Approval, if necessary, the Stated Capital Resolution, the Interim Order and the Final Order in the manner contemplated herein, no other corporate proceedings on the part of Dynamite are necessary to authorize this Agreement or to complete the Transaction. This Agreement has been duly executed and delivered by Dynamite and constitutes a legal, valid and binding obligation of Dynamite, enforceable against Dynamite in accordance with its terms, subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other applicable Laws relating to or affecting creditors' rights generally, and to general principles of equity. The execution and delivery by Dynamite of this Agreement and the performance by Dynamite of its obligations hereunder and the completion of the Transaction, do not and will not:
- (i) result in a violation, contravention or breach of, require any consent to be obtained under or give rise to any termination rights under any provision of:
 - A. the articles or by-laws (or their equivalent) of Dynamite or any Dynamite Subsidiary,
 - B. any Law, or
 - C. any Material Contract or any material license or permit with respect to a Dynamite Material Property to which Dynamite or any Dynamite Subsidiary is bound or is subject to;in each case, which would, individually or in the aggregate, have a Material Adverse Effect on Dynamite;
 - (ii) give rise to or result in:
 - A. any right of termination of any agreement to which Dynamite or any of the Dynamite Subsidiaries is a party,

- B. the cancellation, suspension or alteration in the terms of any material license, permit or authority held by Dynamite or any of the Dynamite Subsidiaries; or
- C. any rights of first refusal, or trigger any provision of any agreement to which Dynamite or any of the Dynamite Subsidiaries is a party relating to either (A) a change in control or influence; or (B) any restriction or limitation under any agreement to which Dynamite or any of the Dynamite Subsidiaries is a party,

in each case, which would, individually or in the aggregate, have a Material Adverse Effect on Dynamite;

- (iii) give rise to any right of termination or acceleration of indebtedness, or cause any indebtedness owing by Dynamite or any Dynamite Subsidiary to come due before its stated maturity or cause any available credit to cease to be available which would, individually or in the aggregate, have a Material Adverse Effect on Dynamite;
- (iv) result in the imposition of any Encumbrance upon any of the property or assets of Dynamite or any Dynamite Subsidiary or restrict, hinder, impair or limit the ability of Dynamite or any Dynamite Subsidiary to conduct the business of Dynamite or any Dynamite Subsidiary as and where it is now being conducted, which would, individually or in the aggregate, have a Material Adverse Effect on Dynamite; or
- (v) except as contemplated herein and as disclosed in the Dynamite Disclosure Letter, result in the termination of any employment agreement with, or in any material payment (including severance, unemployment compensation, “golden parachute”, bonus or otherwise) becoming due to, any director, officer or employee of Dynamite or any Dynamite Subsidiary or increase any benefits otherwise payable under any pension or benefits plan of Dynamite or any Dynamite Subsidiary or result in the acceleration of the time of payment or vesting of any such benefits which would, individually or in the aggregate, have a Material Adverse Effect on Dynamite.

No consent, approval, order or authorization of, or declaration or filing with, any Governmental Entity or other Person is required to be obtained by Dynamite or any Dynamite Subsidiary (A) in connection with the execution and delivery of this Agreement or the performance by it of its obligations hereunder or the consummation by Dynamite of the Transaction or (B) in order that the authority of Dynamite to carry on its business in the ordinary course and in the same manner as presently conducted remains in good standing and in full force and effect as of and following the closing of the transactions contemplated herein and in the Plan of Arrangement, other than: (i) any approvals required by the Interim Order; (ii) if necessary, the Stated Capital Resolution; (iii) any approvals required by the Final Order; (iv) filings required under the CBCA and filings with and approvals required by Securities Authorities and the Exchanges; and (v) any other consents, waivers, permits, orders or approvals referred to in the Dynamite Disclosure Letter.

- (d) Directors' Approvals. The directors of Dynamite that did not abstain from voting due to conflict, have:
- (i) unanimously determined that the consideration to be received as part of the Transaction by the Dynamite Shareholders, other than Avion, is fair from a financial point of view and the Transaction is in the best interests of Dynamite;
 - (ii) received a written opinion from Dynamite's financial advisors that the Transaction is fair, from a financial point of view, to the Dynamite Shareholders;
 - (iii) unanimously resolved to recommend to the Dynamite Shareholders that they vote in favour of the Dynamite Resolution; and
 - (iv) authorized entering into, executing and delivering this Agreement, and performing the obligations set out herein and to proceed with the Transaction.
- (e) Dynamite Subsidiaries. The only subsidiaries of Dynamite are the Dynamite Subsidiaries and save and except for the Dynamite Subsidiaries, Dynamite does not own, directly or indirectly, material voting or equity interests in any other companies or entities.
- (f) No Defaults. Neither Dynamite nor any Dynamite Subsidiary is in default under and to the knowledge of Dynamite there exists no event, condition or occurrence which, after notice or lapse of time or both, would constitute a default by Dynamite or any Dynamite Subsidiary under any contract, agreement or licence, to which any of them is a party or by which any of them is bound that would, individually or in the aggregate, have a Material Adverse Effect on Dynamite.
- (g) Absence of Changes. Since October 31, 2008, except as set out in the Dynamite Disclosure Letter or as set out in the Dynamite Documents filed on SEDAR since October 31, 2008 or as expressly contemplated by this Agreement:
- (i) Dynamite and each Dynamite Subsidiary has conducted its business only in the ordinary and regular course of business consistent with past practice;
 - (ii) neither Dynamite nor any Dynamite Subsidiary has incurred or suffered a change that would have a Material Adverse Effect;
 - (iii) Dynamite has not effected any amendment to, or proposed to amend, its articles or bylaws;
 - (iv) there has not been any acquisition or agreement to acquire by amalgamating, merging, consolidating or entering into a business combination with, purchasing substantially all the assets of or otherwise acquiring, any business or any corporation, partnership, association or other business organization or division thereof, which transaction would be material to Dynamite;
 - (v) there has not been any sale, lease, transfer, mortgage, hypothecation or other disposition of any of its assets or properties, real, personal or mixed, immovable or movable (including securities), that would have a Material Adverse Effect;
 - (vi) other than in the ordinary course of business consistent with past practice, there has not been any incurrence, assumption or guarantee by Dynamite or any

Dynamite Subsidiary of any debt for borrowed money, any creation or assumption by Dynamite or any Dynamite Subsidiary of any Encumbrance, any making by Dynamite or any Dynamite Subsidiary of any loan, advance or capital contribution to or investment in, or the assumption, guarantee, endorsement or responsibility by Dynamite or any Dynamite Subsidiary for the obligations of, any other Person (other than intercorporate loans made to or by any Dynamite Subsidiary) or any entering into, amendment of, relinquishment, termination or non-renewal by Dynamite or any Dynamite Subsidiary of any contract, agreement, licence, lease transaction, commitment or other right or obligation that would, individually or in the aggregate, have a Material Adverse Effect on Dynamite;

- (vii) Dynamite has not effected or passed any resolution or agreed to any subdivision, consolidation, redemption, purchase, offer to purchase or any other acquisition or reclassification of any of the outstanding Dynamite Common Shares, declaration or payment of any dividends on or making of other distributions (whether in cash, shares or property, or any combination thereof) or reduction in the stated capital in respect of its shares;
- (viii) other than in the ordinary and regular course of business consistent with past practice, there has not been, nor has Dynamite or any Dynamite Subsidiary agreed to, any material increase in or modification of the compensation payable to or to become payable by Dynamite or any Dynamite Subsidiary to any of their respective directors, officers, employees or consultants or any grant to any such director, officer, employee or consultant of any increase in severance or termination pay or any increase or modification of any bonus, pension, insurance or benefit arrangement (including, without limitation, the granting of Dynamite Options pursuant to the Dynamite Option Plans) made to, for or with any of such directors, officers, employees or consultants;
- (ix) neither Dynamite nor any of the Dynamite Subsidiaries have incurred any damage, destruction or loss, whether or not covered by insurance, that could reasonably be expected to have a Material Adverse Effect on Dynamite;
- (x) Dynamite has not effected any material change in its accounting methods, principles or practices; and
- (xi) Dynamite has not adopted any, or materially amended any, collective bargaining agreement, bonus, pension, profit sharing, stock purchase, stock option or other benefit plan or shareholder rights plan.

(h) Contracts and Commitments. Except as disclosed in this Agreement or in the Dynamite Disclosure Letter, all material agreements to which Dynamite or any of the Dynamite Subsidiaries is a party or by which it is bound: (i) are valid, binding, in full force and effect in all material respects and enforceable by Dynamite or any of the Dynamite Subsidiaries in accordance with their respective terms, subject, however, to limitations with respect to enforcement imposed by Law in connection with bankruptcy or similar proceedings, the equitable power of the courts to stay proceedings before them and the execution of judgments and to the extent that equitable remedies such as specific performance and injunction are in the discretion of the courts from which they are sought and (ii) do not, by their terms, require the consent of any of the parties thereto to the Arrangement or any of the transactions contemplated thereby. All material

agreements of Dynamite are included in the Dynamite Documents or are listed in the Dynamite Disclosure Letter.

- (i) Employment Agreements. Except as set out in the Dynamite Documents or the Dynamite Disclosure Letter:
- (i) except for statutory or common law obligations, neither Dynamite nor any Dynamite Subsidiary is a party to any written or oral policy, agreement, obligation or understanding providing for severance or termination payments to, or any employment or consulting agreement with, any director or officer of Dynamite or any Dynamite Subsidiary that cannot be terminated without payment of a maximum of one month of that individual's salary;
 - (ii) except for statutory or common law obligations, there are no severance payments or termination payments that Dynamite is obligated to pay, including without limitation, to any consultants, directors, officers, employees or agents;
 - (iii) neither Dynamite nor any Dynamite Subsidiary is subject to any material claim for wrongful dismissal, constructive dismissal or any material tort claim, actual or, to the knowledge of Dynamite, pending or threatened, or any material litigation, actual or, to the knowledge of Dynamite, pending or threatened, relating to employment or termination of employment of employees or independent contractors;
 - (iv) Dynamite and each of the Dynamite Subsidiaries have operated in all material respects in accordance with all applicable Law with respect to employment and labour, including, but not limited to, employment and labour standards, occupational health and safety, employment equity, pay equity, workers' compensation, human rights and labour relations and there are no current, or, to the knowledge of Dynamite, pending or threatened material proceedings before any board or tribunal with respect to any of the above areas;
 - (v) except for statutory or common law obligations, neither Dynamite nor any Dynamite Subsidiary has any employee or consultant whose employment or contract, with Dynamite or any Dynamite Subsidiary, respectively, cannot be terminated without payment upon a maximum of thirty (30) days notice or payment in lieu thereof; and
 - (vi) neither Dynamite nor any Dynamite Subsidiary (a) is a party to any collective bargaining agreement, (b) is, to the knowledge of Dynamite, subject to any application for certification or pending, threatened or apparent union organizing campaigns for employees not covered under a collective bargaining agreement, or (c) is subject to any current, or to the knowledge of Dynamite, pending or threatened, strike or lockout.
- (j) Books and Records. Since June 14, 2006, the corporate records and minute books of Dynamite and the Dynamite Subsidiaries have been maintained in accordance with all applicable Laws and are complete and accurate in all material respects, except where such incompleteness or inaccuracy would not omit material information required to be included. Financial books and records and accounts of Dynamite and the Dynamite Subsidiaries: (i) have been maintained in accordance with good business practices on a basis consistent with prior years and past practice;

- (ii) are stated in reasonable detail and accurately and fairly reflect the transactions and acquisitions and dispositions of assets of Dynamite and the Dynamite Subsidiaries; and (iii) accurately and fairly reflect the basis for the consolidated financial statements of Dynamite.
- (k) Financial Matters. The Dynamite Financial Statements were prepared in accordance with Canadian GAAP, consistently applied, and fairly present in all material respects the consolidated financial condition of Dynamite at the respective dates indicated and the results of operations of Dynamite for the periods covered on a consolidated basis. Except as set out in the Dynamite Disclosure Letter, neither Dynamite nor any Dynamite Subsidiary has any liability or obligation (including, without limitation, liabilities or obligations to fund any operations or work or exploration program, to give any guarantees or for Taxes), whether accrued, absolute, contingent or otherwise, not reflected in the unaudited consolidated financial statements of Dynamite for the period ended October 31, 2008, except liabilities and obligations incurred in the ordinary and regular course of business, which liabilities or obligations relate to budgeted expenditures disclosed to Avion or would not reasonably be expected to have a Material Adverse Effect on Dynamite.
- (l) Litigation. Any outstanding claims, demands, disputes, notifications of liabilities, notifications of remediation work, legal proceedings or investigations against Dynamite that would reasonably be expected to result in criminal or administrative penalties or to result in any liability in excess of \$250,000 are disclosed in the Dynamite Disclosure Letter. There is no claim, demand, dispute, notification of liabilities, notification of remediation work, cause of action, action, suit, proceeding or investigation pending or in progress or, to the knowledge of Dynamite, threatened against or relating to Dynamite or the Dynamite Subsidiaries affecting any of the Transferred Properties or their respective assets before any Governmental Entity which individually or in the aggregate has, or could reasonably be expected to have, a Material Adverse effect on Dynamite. There is no bankruptcy, liquidation, winding-up or other similar proceeding pending or in progress, or, to the knowledge of Dynamite, threatened against or relating to Dynamite or any Dynamite Subsidiary before any Governmental Entity. Neither Dynamite nor any Dynamite Subsidiary nor any of the Transferred Properties or their respective assets, is subject to any outstanding judgment, order, writ, injunction or decree that involves or may involve, or restricts or may restrict the right or ability of Dynamite or any Dynamite Subsidiary, as the case may be, to conduct its business in all material respects as it has been carried on prior to the date hereof, that would materially impede the consummation of the Transaction, or that would have a Material Adverse Effect on Dynamite.
- (m) Licences, etc. Dynamite and each of the Dynamite Subsidiaries holds, or holds the right to acquire, all requisite licences, registrations, qualifications, permits, certificates, orders, grants, approvals, consents and other authorizations necessary or appropriate for carrying on their business as currently carried on and all such licences, registrations, qualifications, permits, certificates, orders, grants, approvals, consents and other authorizations are valid and subsisting and in good standing in all material respects except where the failure to hold such licences, registrations, qualifications, permits and consents would not have a Material Adverse Effect on Dynamite.
- (n) Title. Dynamite or one of the Dynamite Subsidiaries or holds a good and valid contractual interest in the Dynamite Material Property.
- (o) Operational Matters. Except as would not reasonably be expected to have a Material Adverse Effect on Dynamite:

- (i) all rentals, payments and obligations (including maintenance for unpatented mining claims), royalties, overriding royalty interests, production payments, net profits, interest burdens and other payments due or payable on or prior to the date hereof under or with respect to the direct or indirect assets of Dynamite and the Dynamite Subsidiaries have been properly and timely paid; and
 - (ii) since June 14, 2006, all mineral exploration, development and operational activities conducted by Dynamite or any Dynamite Subsidiary on the Transferred Properties have been conducted in accordance with good industry practices and in compliance with all applicable Laws.
- (p) Insurance. Dynamite maintains policies of insurance with reputable insurers and in amounts covering such risks and with those deductibles as are adequate and usual for companies of a similar size operating in the mining industry. The policies and the coverage provided thereunder are in full force and effect and Dynamite and each of the Dynamite Subsidiaries is in good standing under each policy. Dynamite and each of the Dynamite Subsidiaries have not received notice of, nor have any knowledge of, any fact, condition or circumstance which might reasonably form the basis of any claim, dispute, liability, obligation, action, debt, proceeding or litigation against Dynamite or any of the Dynamite Subsidiaries which is not in all material respects covered by insurance (subject to standard deductibles) maintained by it and which could have a Material Adverse Effect on Dynamite.
- (q) Environmental.
 - (i) Each of Dynamite and the Dynamite Subsidiaries is operating in compliance with all applicable Environmental Laws, except to the extent that a failure to comply, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on Dynamite.
 - (ii) All material Environmental Approvals which are necessary under any applicable Environmental Law for the ownership and operation by Dynamite or any of the Dynamite Subsidiaries of the real property, assets, mines and other facilities owned or used by Dynamite or any of the Dynamite Subsidiaries and all of the properties related thereto have been duly obtained, made or taken and are in full force and effect, are not subject to further Environmental Approvals or appeal, or to the knowledge of Dynamite, any pending or threatened legal or administrative proceedings, and there are to the knowledge of Dynamite, no proposals to amend, revoke or replace such material Environmental Approvals.
 - (iii) Dynamite or the Dynamite Subsidiaries have not, and to the knowledge of Dynamite, no past or present lessee, owner, occupant, licensee or other Person have used the Transferred Properties to generate, manufacture, refine, treat, recycle, transport, store, handle, dispose, transfer, produce or process Hazardous Substances, except in compliance in all material respects with all Environmental Laws and except to the extent that any non-compliance would not reasonably be expected to have a Material Adverse Effect on Dynamite. Neither Dynamite nor any Dynamite Subsidiary or, to the knowledge of Dynamite, any other Person in control of any Transferred Properties has caused or permitted the Release of any Hazardous Substances at, in, on, under or from any Transferred Properties, except in compliance with all Environmental Laws, and except to the extent that a failure to be in such compliance would not reasonably be expected to have a

Material Adverse Effect on Dynamite. All Hazardous Substances handled, recycled, disposed of, treated or stored in connection with the use or operation of the Transferred Properties by Dynamite or any Dynamite Subsidiary, on or off site of the Transferred Properties have been handled, recycled, disposed of, treated and stored in material compliance with all Environmental Laws while Dynamite or any Dynamite Subsidiary have been in possession of the Transferred Properties except to the extent that any non-compliance would not reasonably be expected to have a Material Adverse Effect on Dynamite. To the knowledge of Dynamite, there are no Hazardous Substances at, in, on, under or migrating from the Transferred Properties except in material compliance with all Environmental Laws.

- (iv) Neither Dynamite nor any Dynamite Subsidiary has treated or disposed, or arranged for the treatment or disposal, of any Hazardous Substances at any location: (A) listed on any list of hazardous sites or sites requiring Remedial Action issued by any Governmental Entity; (B) to the knowledge of Dynamite, proposed for listing on any list issued by any Governmental Entity of hazardous sites or sites requiring Remedial Action, or any similar federal, state or provincial lists; or (C) to the knowledge of Dynamite, the subject of enforcement actions by any Governmental Entity that creates the reasonable potential for any proceeding, action, or other claim against Dynamite or any Dynamite Subsidiary. To the knowledge of Dynamite, no site or facility now or previously owned, operated or leased by Dynamite or any Dynamite Subsidiary is proposed for listing on any list issued by any Governmental Entity of hazardous sites or sites requiring Remedial Action or is the subject of Remedial Action.
- (v) Except to an extent that would not reasonably be expected to have a Material Adverse Effect on Dynamite, neither Dynamite nor any Dynamite Subsidiary has caused or permitted the Release of any Hazardous Substances on or to any of the Transferred Properties in such a manner as: (A) would be reasonably likely to impose Liability for cleanup, natural resource damage, loss of life, personal injury, nuisance or damage to other property; or (B) would be reasonably likely to result in imposition of a lien, charge or other encumbrance on or the expropriation of any of the Transferred Properties or the assets of Dynamite or any Dynamite Subsidiary.
- (vi) Except to an extent that would not reasonably be expected to have a Material Adverse Effect with respect to Dynamite or except as set out in the Dynamite Disclosure Letter, neither Dynamite nor any Dynamite Subsidiary has received from any Person or Governmental Entity any notice, formal or informal, of any, nor to the knowledge of Dynamite is there any pending or threatened, infraction, proceeding, action or other claim, Liability or potential Liability arising under any Environmental Law that is pending as of the date hereof.
- (r) Tax Matters. Except as set out in the Dynamite Disclosure Letter or as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to Dynamite:
 - (i) Each of Dynamite and the Dynamite Subsidiaries has duly and timely in the prescribed manner, made or prepared all Tax Returns required to be made or prepared by it, has duly and timely filed all Tax Returns required to be filed by it

with the appropriate Governmental Entity and has, in all material respects, completely and correctly reported all income and all other amounts or information required to be reported thereon. All such Tax Returns are complete and accurate in all material respects.

- (ii) Each of Dynamite and the Dynamite Subsidiaries has (A) duly and timely paid, and will continue until the Effective Date to pay, all Taxes due and payable by it, (B) duly and timely withheld, and will continue until the Effective Date to withhold, all Taxes and other amounts required by Law to be withheld by it and has duly and timely remitted to the appropriate Governmental Entity such Taxes and other amounts required by Law to be remitted by it, and (C) duly and timely collected all amounts on account of sales or transfer taxes, including goods and services, harmonized sales and provincial or territorial sales taxes, required by Law to be collected by it and has duly and timely remitted to the appropriate Governmental Entity any such amounts required by Law to be remitted by it. No deficiency with respect to any payment of Taxes has been asserted against it by any Governmental Entity.
 - (iii) The charges, accruals and reserves for Taxes reflected on the Dynamite Financial Statements (whether or not due and whether or not shown on any Tax Return but excluding any provision for deferred income taxes) are, adequate under Canadian GAAP to cover Taxes with respect to Dynamite and the Dynamite Subsidiaries accruing through the date hereof.
 - (iv) There are no agreements, waivers or other arrangements with any Governmental Entity providing for an extension of time with respect to any assessment or reassessment of Tax, the filing of any Tax Return or the payment of any Tax by Dynamite. Dynamite has received Notices of Assessment for all taxation years up to the 2007 taxation year. Dynamite has not waived any Statute of limitations in respect of Taxes.
- (s) Tax Proceedings. To the knowledge of Dynamite, there are no proceedings, investigations, audits, assessments, reassessments or claims now pending or threatened against Dynamite or the Dynamite Subsidiaries that propose to assess Taxes in addition to those reported in the Tax Returns and no waiver of any statute of limitations with respect to Taxes has been given or requested with respect to Dynamite or the Dynamite Subsidiaries.
- (t) Pension and Employee Benefits. All pension and employee compensation and benefit plans for employees of Dynamite or the Dynamite Subsidiaries are described in the Dynamite Documents or the Dynamite Disclosure Letter. Dynamite and the Dynamite Subsidiaries have complied, in all material respects, with all of the terms of the pension and other employee compensation and benefit plans and obligations of Dynamite or the Dynamite Subsidiaries, as the case may be, including the provisions of any collective agreements, funding and investment contracts or obligations applicable thereto, arising under or relating to each of the pension or retirement income plans or other employee compensation or benefit plans, agreements, policies, programs, arrangements or practices, whether written or oral, which are maintained by or binding upon Dynamite and any Dynamite Subsidiary, as the case may be, other than such non-compliance that would not reasonably be expected to have a Material Adverse Effect on Dynamite.
- (u) Reporting Status. Dynamite is a reporting issuer or its equivalent in the Provinces of Alberta, British Columbia and Ontario. The Dynamite Common Shares are listed on the Exchange.

Dynamite is a “foreign private issuer” as defined in Rule 405 under the U.S. Securities Act and has no class of securities that is registered or required to be registered under the *U.S. Exchange Act* and Dynamite is not required to file reports with the SEC under the *U.S. Exchange Act*.

- (v) Reports. Since June 14, 2006, Dynamite has filed with the Securities Authorities and the Exchange a true and complete copy of the Dynamite Documents. The Dynamite Documents, at the time filed or, if amended, as of the date of such amendment: (i) did not contain any misrepresentation (as defined in the *Securities Act* (Ontario)) and did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (ii) complied, in all material respects, with the requirements of applicable securities legislation and the rules, policies and instruments of all Securities Authorities having jurisdiction over Dynamite except where such non-compliance has not had or would not reasonably be expected to have a Material Adverse Effect on Dynamite. Dynamite has not filed any confidential material change or other report or other document with any Securities Authorities or stock exchange which, at the date hereof, remains confidential.
- (w) Compliance with Laws. Except with respect to matters relating to the environment or Environmental Laws (which are addressed in Section 3.1(q) above), Dynamite and the Dynamite Subsidiaries have complied with and are not in violation of any applicable Law other than such non-compliance or violations that would not, individually or in the aggregate, have a Material Adverse Effect on Dynamite.
- (x) Restrictions on Business Activities. There is no agreement, judgment, injunction, order or decree binding upon Dynamite or any of the Dynamite Subsidiaries that has or could reasonably be expected to have the effect of prohibiting, restricting or impairing any material business practice of Dynamite or any of the Dynamite Subsidiaries, any acquisition of material property by Dynamite or any of the Dynamite Subsidiaries or the conduct of business by Dynamite or any of the Dynamite Subsidiaries as currently conducted.
- (y) No Cease Trade. Dynamite is not subject to any cease trade or other order of any applicable stock exchange or Securities Authority and, to the knowledge of Dynamite, no investigation or other proceedings involving Dynamite that may operate to prevent or restrict trading of any securities of Dynamite are currently in progress or pending before any applicable stock exchange or Securities Authority.
- (z) Registration Rights. No holder of securities issued by Dynamite has any contractual right to compel Dynamite to register or otherwise qualify such securities for public sale in Canada or the United States.
- (aa) No Option on Assets. Other than Avion, no Person has any agreement or option or any right or privilege capable of becoming an agreement or option for the purchase from Dynamite or any Dynamite Subsidiary of any of the material assets of Dynamite or any Dynamite Subsidiary, other than as described or contemplated herein.
- (bb) Certain Contracts. Neither Dynamite nor any Dynamite Subsidiary is a party to or bound by any non-competition agreement or any other agreement, obligation, judgment, injunction, order or decree that purports to (i) limit the manner or the localities in which all or any material portion of the business of Dynamite or any Dynamite Subsidiary is conducted, (ii) limit any business practice of Dynamite or any Dynamite Subsidiary in any material respect, or (iii) restrict or

require any acquisition or disposition of any property by Dynamite or any Dynamite Subsidiary in any material respect.

- (cc) Working Capital Deficiency and Liabilities. Dynamite and the Dynamite Subsidiaries had approximately \$11.5 million in cash as of the close of business on March 11, 2009 and liabilities required to be recorded on the consolidated balance sheet of Dynamite in accordance with generally accepted accounting principles as of March 11, 2009 (excluding future income tax liabilities) would not exceed \$600,000. There are no material Liabilities of Dynamite or any Dynamite Subsidiary whether direct, indirect, absolute, contingent or otherwise which are not disclosed or reflected in the Dynamite Financial Statements, except (i) those incurred in the ordinary course of their respective businesses since March 11, 2009, including budgeted expenditures as disclosed in writing to Avion; (ii) liabilities for expenditures required by law since March 11, 2009; (iii) liabilities for reasonable expenditures made in connection with the Transaction; and (iv) liabilities for expenses that have been jointly approved by Avion and Dynamite.
- (dd) No Adverse Change. Except as set out in the Dynamite Documents, since October 31, 2008 there has not been any adverse material change of any kind whatsoever in the financial position or condition of Dynamite on a consolidated basis or any damage, loss or other change of any kind whatsoever in circumstances materially affecting their respective businesses or assets, taken as a whole, or the right or capacity of any of them to carry on their respective businesses, such businesses having been carried on in the ordinary course.
- (ee) No Indebtedness. Except as disclosed in the Dynamite Disclosure Letter, neither Dynamite nor any Dynamite Subsidiary owes any money to, has any present loans to, has borrowed any monies from, or is otherwise indebted to any officer, director, employee, shareholder or any Person not dealing at “arm’s length” (as such term is defined in the *Tax Act*) with Dynamite or the Dynamite Subsidiaries, except as set forth in the Dynamite Documents and Dynamite Disclosure Letter.
- (ff) No Agreement to Merge. Except for this Agreement, neither Dynamite nor any Dynamite Subsidiary has any agreement of any nature whatsoever to acquire, merge or enter into any business combination with any entity, or to acquire or lease any other business operations.
- (gg) No Significant Transactions. There are no “significant acquisitions”, “significant dispositions” and “significant probable acquisitions”, as such terms are defined in Applicable Securities Laws, for which Dynamite is required, pursuant to Applicable Securities Laws, to prepare additional financial disclosure for the Proxy Circular.
- (hh) Internal Controls. Dynamite maintains a system of internal accounting controls sufficient to provide reasonable assurance that:
 - (i) transactions are executed in accordance with management’s general or specific authorization;
 - (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles in Canada and to maintain asset accountability;
 - (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and

- (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.
- (ii) Disclosure of Material Contracts. All contracts and agreements material to Dynamite on a consolidated basis (collectively, the “**Material Contracts**”) have been disclosed to Avion or in the Dynamite Documents filed on SEDAR and, except as set out in the Dynamite Disclosure Letter, or as contemplated herein, neither Dynamite nor any Dynamite Subsidiary has approved, entered into any binding agreement in respect of, or has any knowledge of, the purchase of any material property or assets or any interest therein or the sale, transfer or other disposition of any material property or assets or any interest therein currently owned, directly or indirectly, by Dynamite, whether by asset sale, transfer of shares or otherwise.
- (jj) No Broker’s Commission. Dynamite has not entered into any agreement that would entitle any Person to any valid claim against Dynamite or Avion for a broker’s commission, finder’s fee, financial advisory fee or any like payment in respect of the Arrangement or any other matter contemplated by this Agreement, except for the fees and expenses set out in the Dynamite Disclosure Letter.
- (kk) Vote Required. Subject to the Interim Order, to the knowledge of Dynamite, the Dynamite Shareholder Approval (and if necessary, the Stated Capital Resolution) is the only vote of the holders of any class or series of the Dynamite Common Shares, Dynamite Options or other Convertible Securities of Dynamite necessary to approve this Agreement and the Arrangement and the Transaction.
- (ll) Cash Balance. Dynamite will have not less than \$11,000,000 of cash or other consideration acceptable to Avion, in its treasury net of all liabilities, including without limitation all legal, financial or other costs associated with the Transaction at the Effective Time.

Section 3.2 Representations and Warranties of Avion

Avion hereby represents and warrants to Dynamite, and hereby acknowledges that Dynamite is relying upon such representations and warranties in connection with entering into this Agreement and agreeing to complete the Arrangement, as follows, save and except as provided in the Avion Disclosure Letter:

- (a) Organization. Each of Avion and the Avion Subsidiaries has been incorporated, is validly subsisting under the laws of its respective jurisdiction of incorporation and has full corporate or legal power and authority to own its property and assets and to conduct its business as currently owned and conducted by it. Each of Avion and the Avion Subsidiaries is registered, licensed or otherwise qualified as an extra-provincial corporation or a foreign corporation in each jurisdiction where the nature of the business or its activities or the location or character of the property and assets owned or leased by it requires it to be so registered, licensed or otherwise qualified, other than those jurisdictions where the failure to be so registered, licensed or otherwise qualified would not have a Material Adverse Effect on Avion. All of the outstanding shares and other ownership interests in each of the Avion Subsidiaries have been duly authorized and are validly issued, and are fully paid and non-assessable (where such concept exists under the laws governing the Avion Subsidiaries). All of the outstanding shares of Avion Subsidiaries are owned, directly or indirectly, by Avion. Other than pursuant to restrictions on transfer contained in the articles or by-laws (or their equivalent) of the Avion Subsidiaries, the outstanding shares of the Avion Subsidiaries are owned free and clear of all Encumbrances.

- (b) Capitalization. The authorized capital of Avion consists of an unlimited number of Avion Common Shares. As at March 16, 2009, there were: (i) 113,265,009 Avion Common Shares outstanding; (ii) Avion Options to acquire an aggregate of 7,420,000 Avion Common Shares; and (iii) Avion Warrants to acquire an aggregate of 67,202,107 Avion Common Shares. Except pursuant to this Agreement and the Transaction and except as disclosed in the Avion Disclosure Letter, there are no Convertible Securities or other rights, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) obligating Avion or any Avion Subsidiary to issue or sell any Avion Common Shares, or any shares of the Avion Subsidiaries, any securities or obligations of any kind convertible into or exchangeable for any Avion Common Shares or any shares of a Avion Subsidiary or any other Person. All outstanding Avion Common Shares have been duly authorized and are validly issued and outstanding as fully paid and non-assessable shares, free of pre-emptive rights. As of the date hereof, there are no outstanding bonds, debentures or other evidences of indebtedness of Avion or an Avion Subsidiary having the right to vote with the Avion Shareholders on any matter. There are no outstanding contractual obligations of Avion or an Avion Subsidiary to repurchase, redeem or otherwise acquire any outstanding Avion Common Shares or with respect to the voting or disposition of any outstanding Avion Common Shares. Avion has not adopted and is not a party to any shareholder rights plan.
- (c) Authority. Avion has all necessary power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by Avion as contemplated by this Agreement, and to perform its obligations hereunder and under such other agreements and instruments. The execution and delivery of this Agreement by Avion and the completion by each of the Transaction have been authorized by the directors of Avion and no other corporate proceedings on the part of Avion are necessary to authorize this Agreement or to complete the Transaction. This Agreement has been duly executed and delivered by Avion and constitutes a legal, valid and binding obligation of Avion enforceable against Avion in accordance with its terms, subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other applicable Laws relating to or affecting creditors' rights generally, and to general principles of equity. The execution and delivery by Avion of this Agreement and the performance by Avion of its obligations hereunder and the completion of the Transaction, do not and will not:
- (i) result in a violation, contravention or breach of, require any consent to be obtained under or give rise to any termination rights under any provision of:
 - A. the articles or by-laws (or their equivalent) of Avion or any Avion Subsidiary; or
 - B. any Law, or
 - C. any Material Contract or any material licence or permit with respect to Avion Material Property to which Avion or any Avion Subsidiary is bound or is subject to;in each case, which would, individually or in the aggregate, have a Material Adverse Effect on Avion;
 - (ii) give rise to or result in:
 - A. any right of termination of any agreement to which Avion or any of the Avion Subsidiaries is a party,

- B. the cancellation, suspension or alteration in the terms of any material licence, permit or authority held by Avion or any of the Avion Subsidiaries; or
- C. any rights of first refusal, or trigger any provision of any agreement to which Avion or any of the Avion Subsidiaries is a party relating to either (A) a change in control or influence; or (B) any restriction or limitation under any agreement to which Avion or any of the Avion Subsidiaries is a party,

in each case, which would, individually or in the aggregate, have a Material Adverse Effect on Avion;

- (iii) give rise to any right of termination or acceleration of indebtedness, or cause any indebtedness owing by Avion or any Avion Subsidiary, to come due before its stated maturity or cause any available credit to cease to be available which would, individually or in the aggregate, have a Material Adverse Effect on Avion;
- (iv) result in the imposition of any Encumbrance upon any of the property or assets of Avion or any Avion Subsidiary or restrict, hinder, impair or limit the ability of Avion or any Avion Subsidiary to conduct the business of Avion or the Avion Subsidiary as and where it is now being conducted, which would, individually or in the aggregate, have a Material Adverse Effect on Avion; or
- (v) except as contemplated herein and as disclosed in the Avion Disclosure Letter, result in the termination of any employment agreement with, or in any material payment (including severance, unemployment compensation, “golden parachute”, bonus or otherwise) becoming due to, any director, officer or employee of Avion or any Avion Subsidiary or increase any benefits otherwise payable under any pension or benefits plan of Avion or any Avion Subsidiary or result in the acceleration of the time of payment or vesting of any such benefits which would, individually or in the aggregate, have a Material Adverse Effect on Avion.

No consent, approval, order or authorization of, or declaration or filing with, any Governmental Entity or other Person is required to be obtained by Avion or any Avion Subsidiary (A) in connection with the execution and delivery of this Agreement or the performance by it of its obligations hereunder or the consummation by Avion of the Transaction or (B) in order that the authority of Avion to carry on its business in the ordinary course and in the same manner as presently conducted remains in good standing and in full force and effect as of and following the closing of the transactions contemplated herein and in the Plan of Arrangement other than: (i) any approvals required by the Interim Order; (ii) any approvals required by the Final Order; (iii) filings required under the CBCA and filings with and approvals required by Securities Authorities and the Exchanges; and (iv) any other consents, waivers, permits, orders or approvals referred to in the Avion Disclosure Letter.

- (d) Directors’ Approvals. The directors of Avion that did not abstain from voting due to conflict, have (i) received a written opinion from Avion’s financial advisors that the Transaction is fair, from a financial point of view, to holders of Avion Common Shares, and (ii) unanimously

authorized the entering into of this Agreement and the performance by it of its obligations hereunder.

- (e) Avion Subsidiaries. The only material Subsidiaries of Avion are the Avion Subsidiaries and save and except for the Avion Subsidiaries, Avion does not own, directly or indirectly, material voting or equity interests in any other companies or entities.
- (f) No Defaults. Neither Avion nor any Avion Subsidiary is in default under and to the knowledge of Avion there exists no event, condition or occurrence which, after notice or lapse of time or both, would constitute a default by Avion or any Avion Subsidiary under any contract, agreement or licence to which any of them is a party or by which any of them is bound that would, individually or in the aggregate, have a Material Adverse Effect on Avion.
- (g) Absence of Changes. Since August 31, 2008, except as set out in the Avion Disclosure Letter or as set out in the Avion Documents filed on SEDAR since August 31, 2008 or as expressly contemplated by this Agreement:
 - (i) Avion and each Avion Subsidiary has conducted its business only in the ordinary and regular course of business consistent with past practice;
 - (ii) neither Avion nor any Avion Subsidiary has incurred or suffered a change that would have a Material Adverse Effect;
 - (iii) Avion has not effected any amendment to, or proposed to amend, its articles or bylaws;
 - (iv) there has not been any acquisition or agreement to acquire by amalgamating, merging, consolidating or entering into a business combination with, purchasing substantially all the assets of or otherwise acquiring, any business or any corporation, partnership, association or other business organization or division thereof, which transaction would be material to Avion;
 - (v) any sale, lease, transfer, mortgage, hypothecation or other disposition of any of its assets or properties, real, personal or mixed, immovable or movable (including securities), that are material, individually or in the aggregate, to Avion;
 - (vi) other than the proposed Ecobank Mali SA loan agreement for up to USD \$3,000,000 that will not result in the issuance of Avion Common Shares or Convertible Securities or in the ordinary and regular course of business consistent with past practice, there has not been any incurrence, assumption or guarantee by Avion or any Avion Subsidiary of any debt for borrowed money, any creation or assumption by Avion or any Avion Subsidiary of any Encumbrance, any making by Avion or any Avion Subsidiary of any loan, advance or capital contribution to or investment in, or the assumption, guarantee, endorsement or responsibility by Avion or any Avion Subsidiary for the obligations of, any other Person (other than intercorporate loans made to or by any Avion Subsidiary) or any entering into, amendment of, relinquishment, termination or non-renewal by Avion or any Avion Subsidiary of any contract, agreement, licence, lease transaction, commitment or other right or obligation that would, individually or in the aggregate, have a Material Adverse Effect on Avion;

- (vii) Avion has not effected or passed any resolution or agreed to any subdivision, consolidation, redemption, purchase, offer to purchase or any other acquisition or reclassification of any of the outstanding shares of Avion, declaration or payment of any dividends on or making of other distributions (whether in cash, shares or property, or any combination thereof) or reduction in the stated capital in respect of its shares;
 - (viii) other than in the ordinary and regular course of business consistent with past practice, there has not been, nor has Avion or any Avion Subsidiary agreed to, any material increase in or modification of the compensation payable to or to become payable by Avion or any Avion Subsidiary to any of their respective directors, officers, employees or consultants or any grant to any such director, officer, employee or consultant of any increase in severance or termination pay or any increase or modification of any bonus, pension, insurance or benefit arrangement (including, without limitation, the granting of Avion Options pursuant to the Avion Option Plan) made to, for or with any of such directors or officers, other than with respect to 750,000 Avion Options granted to a new Officer of Avion Resources on February 10, 2009;
 - (ix) neither Avion nor any of the Avion Subsidiaries have incurred any damage, destruction or loss, whether or not covered by insurance, that could reasonably be expected to have a Material Adverse Effect on Avion;
 - (x) Avion has not effected any material change in its accounting methods, principles or practices; and
 - (xi) Avion has not adopted any, or materially amended any, collective bargaining agreement, bonus, pension, profit sharing, stock purchase, stock option or other benefit plan or shareholder rights plan.
- (h) Contracts and Commitments. Except as disclosed in this Agreement or in the Avion Disclosure Letter, all material agreements to which Avion or any of the Avion Subsidiaries is a party or by which it is bound: (i) are valid, binding, in full force and effect in all material respects and enforceable by Avion or any of the Avion Subsidiaries in accordance with their respective terms, subject, however, to limitations with respect to enforcement imposed by Law in connection with bankruptcy or similar proceedings, the equitable power of the courts to stay proceedings before them and the execution of judgments and to the extent that equitable remedies such as specific performance and injunction are in the discretion of the courts from which they are sought and (ii) do not, by their terms, require the consent of any of the parties thereto to the Arrangement or any of the transactions contemplated thereby. All material agreements of Avion are included in the Avion Documents or are listed in the Avion Disclosure Letter.

- (i) Employment Agreements. Except as set out in the Avion Documents or the Avion Disclosure Letter:
- (i) except for statutory or common law obligations, neither Avion nor any Avion Subsidiary is a party to any written or oral policy, agreement, obligation or understanding providing for severance or termination payments to, or any employment or consulting agreement with, any director or officer of Avion or any Avion Subsidiary that cannot be terminated without payment of a maximum of one month of that individual's salary;
 - (ii) except for statutory or common law obligations, there are no severance payments or termination payments that Avion is obligated to pay, including without limitation, to any consultants, directors, officers, employees or agents;
 - (iii) neither Avion nor any Avion Subsidiary is subject to any material claim for wrongful dismissal, constructive dismissal or any material tort claim, actual or, to the knowledge of Avion, pending or threatened, or any material litigation, actual or, to the knowledge of Avion, pending or threatened, relating to employment or termination of employment of employees or independent contractors;
 - (iv) Avion and each of the Avion Subsidiaries have operated in all material respects in accordance with all applicable Laws with respect to employment and labour, including, but not limited to, employment and labour standards, occupational health and safety, employment equity, pay equity, workers' compensation, human rights and labour relations and there are no current, or, to the knowledge of Avion, pending or threatened proceedings before any board or tribunal with respect to any of the above areas;
 - (v) except for statutory or common law obligations, neither Avion nor any Avion Subsidiary has any employee or consultant whose employment or contract with Avion or any Avion Subsidiary, respectively, cannot be terminated without payment upon a maximum of thirty (30) days notice or payment in lieu thereof; and
 - (vi) neither Avion nor any Avion Subsidiary (a) is a party to any collective bargaining agreement, (b) is, to the knowledge of Avion, subject to any application for certification or pending, threatened or apparent union organizing campaigns for employees not covered under a collective bargaining agreement, or (c) is subject to any current, or to the knowledge of Avion, pending or threatened, strike or lockout.
- (j) Books and Records. Since June 1, 2007, the corporate records and minute books of Avion and the Avion Subsidiaries have been maintained in accordance with all applicable Laws and are complete and accurate in all material respects, except where such incompleteness or inaccuracy would not omit material information required to be included. Financial books and records and accounts of Avion and the Avion Subsidiary: (i) have been maintained in accordance with good business practices on a basis consistent with prior years and past practice; (ii) are stated in reasonable detail and accurately and fairly reflect the transactions and acquisitions and dispositions of assets of Avion and the Avion Subsidiary; and (iii) accurately and fairly reflect the basis for the consolidated financial statements of Avion.

- (k) Financial Matters. The Avion Financial Statements were prepared in accordance with Canadian GAAP, consistently applied, and fairly present in all material respects the consolidated financial condition of Avion at the respective dates indicated and the results of operations of Avion for the periods covered on a consolidated basis. Except as set out in the Avion Disclosure Letter, neither Avion nor any Avion Subsidiary has any liability or obligation (including, without limitation, liabilities or obligations to fund any operations or work or exploration program, to give any guarantees or for Taxes), whether accrued, absolute, contingent or otherwise, not reflected in the unaudited consolidated financial statements of Avion for the financial period ended August 31, 2008, except liabilities and obligations incurred in the ordinary and regular course of business which liabilities or obligations relate to budgeted expenditures disclosed to Dynamite or would not reasonably be expected to have a Material Adverse Effect on Avion.
- (l) Litigation. Any outstanding claims, demands, disputes, notifications of liabilities, notifications of remediation work, legal proceedings or investigations that would reasonably be expected to result in criminal or administrative penalties or to result in any liability in excess of \$250,000 are disclosed in the Avion Disclosure Letter. There is no claim, demand, dispute, notification of liabilities, notification of remediation work, cause of action, action, suit, proceeding or investigation pending or in progress or, to the knowledge of Avion, threatened against or relating to Avion or the Avion Subsidiaries affecting any of their respective properties or assets before any Governmental Entity which individually or in the aggregate has, or would reasonably be expected to have, a Material Adverse Effect on Avion. There is no bankruptcy, liquidation, winding-up or other similar proceeding pending or in progress, or, to the knowledge of Avion, threatened against or relating to Avion or any Avion Subsidiary before any Governmental Entity. Neither Avion nor any Avion Subsidiary nor any of their respective properties or assets, is subject to any outstanding judgment, order, writ, injunction or decree that involves or may involve, or restricts or may restrict the right or ability of Avion or any Avion Subsidiary, as the case may be, to conduct its business in all material respects as it has been carried on prior to the date hereof, or that would materially impede the consummation of the Transaction, or that would have a Material Adverse Effect on Avion.
- (m) Licences, etc. Avion and each of the Avion Subsidiaries holds, or holds the right to acquire, all requisite licences, registrations, qualifications, permits, certificates, orders, grants, approvals, consents and other authorizations necessary or appropriate for carrying on their business as currently carried on and all such licences, registrations, qualifications, permits, certificates, orders, grants, approvals, consents and other authorizations are valid and subsisting and in good standing in all material respects except where the failure to hold such licences, registrations, qualifications, permits and consents would not have a Material Adverse Effect on Avion. In particular, without limiting the generality of the foregoing, neither Avion nor any Avion Subsidiary has received any notice of proceedings relating to the revocation or adverse modification of any material mining or exploration permit or licence, nor has it received notice of the revocation or cancellation of, or any intention to revoke or cancel, any mining rights, groups of claims, exploration rights, concessions or leases with respect to any of the Avion Material Properties where such revocation or cancellation would have a Material Adverse Effect on Avion.
- (n) Title. Avion or one of the Avion Subsidiaries is the absolute legal and beneficial owner of, or holds a good and valid leasehold or other contractual interest in or sufficient title to or rights to acquire the Avion Material Properties and no other Mining Rights are necessary for the conduct of the business of the Avion Material Properties as currently conducted, neither Avion nor any Avion Subsidiary knows of any claim or the basis for any claim that might or could materially and adversely affect the right thereof to use or otherwise exploit such Mining Rights and, except as set out in the Avion Documents or the Avion Disclosure Letter, neither Avion nor any Avion

Subsidiary has any responsibility or obligation to pay any material commission, royalty, licence fee or similar payment to any Person with respect to the Avion Properties. Except as set out in the Avion Documents or the Avion Disclosure Letter, applying customary standards in the mining industry, (i) each of Avion and the Avion Subsidiaries has sufficient title to or valid mineral interests, leasehold interests or rights to acquire title or mineral interests in the Avion Material Properties for the conduct of the business of Avion or the Avion Subsidiaries as currently conducted, free and clear of any title defect or Encumbrance, except for such defects in title or Encumbrances that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a Material Adverse Effect on Avion; (ii) each lease and agreement granting rights to the Avion Material Properties is in full force and effect and constitutes a legal, valid and binding agreement of Avion or the Avion Subsidiaries and neither Avion nor any Avion Subsidiary (nor, to the knowledge of Avion, any other party to such lease or agreement) is in violation or breach of or default under any such lease or agreement except such violations, breaches or defaults which would not, individually, or in the aggregate, reasonably be expected to have a Material Adverse Effect on Avion; (iii) all tangible personal property of Avion and any Avion Subsidiary is in generally good repair and is operational and usable in the manner in which it is currently being utilized, subject to normal wear and tear and technical obsolescence, repair or replacement, except for such property where the failure to be in such condition would not reasonably be expected to have a Material Adverse Effect on Avion. All taxes assessed by or to be paid to any applicable Governmental Entity or with respect to filings, fees, assessments, payments or work commitments in respect of the Avion Properties have been duly paid when due.

- (o) Mining Rights. Avion or an Avion Subsidiary holds, or holds the rights to acquire, the Mining Rights in respect of all the ore bodies and minerals located in the Avion Material Properties in which Avion or an Avion Subsidiary has, or has the right to acquire, an interest under valid, subsisting and enforceable title documents or other recognized and enforceable agreements or instruments, sufficient to permit Avion or an Avion Subsidiary to explore for and/or exploit the minerals relating thereto; Avion or an Avion Subsidiary has or has the right to acquire all necessary surface rights, access rights and other necessary rights and interests relating to the Avion Material Properties in which Avion or an Avion Subsidiary has an interest granting Avion or an Avion Subsidiary the right and ability to explore for and/or exploit minerals, ore and metals for development purposes as are appropriate in view of the rights and interest therein of the applicable entity and the business of Avion or an Avion Subsidiary as it is currently conducted, with only such exceptions as do not materially interfere with the use made by Avion or an Avion Subsidiary of the rights or interest so held; and each of the property interests or rights and each of the documents, agreements and instruments and obligations relating thereto referred to above is currently in good standing in the name of Avion or an Avion Subsidiary except where the failure to be so would not have a Material Adverse Effect on Avion. The Mining Rights in respect of the Avion Properties are all of the material Mining Rights held by Avion or an Avion Subsidiary. Avion and the Avion Subsidiaries have no interest in any properties other than the Avion Properties.
- (p) Mineral Reserves and Resources. The most recent estimated mineral resources and/or mineral reserves at the Avion Material Properties disclosed in the Avion Documents (including those related to the Avion Material Properties) have been prepared and disclosed in all material respects in accordance with all applicable Laws including, without limitation, National Instrument 43-101 of the Canadian Securities Administrators. There has been no material reduction (other than as a result of operations in the ordinary course of business) in the aggregate amount of estimated mineral resources at the Avion Material Properties taken as a whole, from the amounts disclosed publicly by Avion.

- (q) Operational Matters. Except as would not reasonably be expected to have a Material Adverse Effect on Avion:
- (i) all rentals, payments and obligations (including maintenance for unpatented mining claims), royalties, overriding royalty interests, production payments, net profits, interest burdens and other payments due or payable on or prior to the date hereof under or with respect to the direct or indirect assets of Avion and the Avion Subsidiaries have been properly and timely paid; and
 - (ii) since June 1, 2007, all mineral exploration, development and operational activities conducted by Avion or any Avion Subsidiary on the Avion Properties have been conducted in accordance with good industry practices and in compliance with all applicable Laws.
- (r) Insurance. Avion maintains policies of insurance with reputable insurers and in amounts covering such risks and with those deductibles as are adequate and usual for companies of a similar size operating in the mining industry. The policies and the coverage provided thereunder are in full force and effect and Avion and each of the Avion Subsidiaries is in good standing under each policy. Avion and each of the Avion Subsidiaries have not received notice of, nor have any knowledge of, any fact, condition or circumstance which might reasonably form the basis of any claim, dispute, liability, obligation, action, debt, proceeding or litigation against Avion or any of the Avion Subsidiaries which is not in all material respects covered by insurance (subject to standard deductibles) maintained by it and which could have a Material Adverse Effect on Avion
- (s) Environmental.
- (i) Each of Avion and the Avion Subsidiaries is operating in compliance with all applicable Environmental Laws, except to the extent that a failure to comply, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on Avion.
 - (ii) All material Environmental Approvals which are necessary under any applicable Environmental Law for the ownership and operation by Avion or any of the Avion Subsidiaries of the real property, assets, mines and other facilities owned or used by Avion or any of the Avion Subsidiaries and all of the properties related thereto have been duly obtained, made or taken and are in full force and effect, are not subject to further Environmental Approvals or appeal, or to the knowledge of Avion, any pending or threatened legal or administrative proceedings, and there are to the knowledge of Avion, no proposals to amend, revoke or replace such material Environmental Approvals.
 - (iii) Avion or the Avion Subsidiaries have not, and to the knowledge of Avion, no past or present lessee, owner, occupant, licensee or other Person have used the Avion Properties to generate, manufacture, refine, treat, recycle, transport, store, handle, dispose, transfer, produce or process Hazardous Substances, except in compliance in all material respects with all Environmental Laws and except to the extent that any non-compliance would not reasonably be expected to have a Material Adverse Effect on Avion. Neither Avion nor any Avion Subsidiary or, to the knowledge of Avion, any other Person in control of any Avion Properties has caused or permitted the Release of any Hazardous Substances at, in, on,

under or from any Avion Properties, except in compliance with all Environmental Laws, and except to the extent that a failure to be in such compliance would not reasonably be expected to have a Material Adverse Effect on Avion. All Hazardous Substances handled, recycled, disposed of, treated or stored in connection with the use or operation of the Avion Properties by Avion or any Avion Subsidiary, on or off-site of the Avion Properties have been handled, recycled, disposed of, treated and stored in material compliance with all Environmental Laws while Avion or any Avion Subsidiary have been in possession of the Avion Properties except to the extent that any non-compliance would not reasonably be expected to have a Material Adverse Effect on Avion. To the knowledge of Avion, there are no Hazardous Substances at, in, on, under or migrating from the Avion Properties except in material compliance with all Environmental Laws.

- (iv) Neither Avion nor any Avion Subsidiary has treated or disposed, or arranged for the treatment or disposal, of any Hazardous Substances at any location: (A) listed on any list of hazardous sites or sites requiring Remedial Action issued by any Governmental Entity; (B) to the knowledge of Avion, proposed for listing on any list issued by any Governmental Entity of hazardous sites or sites requiring Remedial Action, or any similar federal, state or provincial lists; or (C) which is, to the knowledge of Avion, the subject of enforcement actions by any Governmental Entity that creates the reasonable potential for any proceeding, action, or other claim against Avion or any Avion Subsidiary. To the knowledge of Avion, no site or facility now or previously owned, operated or leased by Avion or any Avion Subsidiary is proposed for listing on any list issued by any Governmental Entity of hazardous sites or sites requiring Remedial Action or is the subject of Remedial Action.
- (v) Except to an extent that would not reasonably be expected to have a Material Adverse Effect on Avion, neither Avion nor any Avion Subsidiary has caused or permitted the Release of any Hazardous Substances on or to any of the Avion Properties in such a manner as: (A) would be reasonably likely to impose Liability for cleanup, natural resource damages, loss of life, personal injury, nuisance or damage to other property; or (B) would be reasonably likely to result in imposition of a lien, charge or other encumbrance on or the expropriation of any of the Avion Properties or the assets of Avion or any Avion Subsidiary.
- (vi) Except to an extent that would not reasonably be expected to have a Material Adverse Effect with respect to Avion and except as set out in the Avion Disclosure Letter, neither Avion nor any Avion Subsidiary has received from any Person or Governmental Entity any notice, formal or informal, of any, nor to the knowledge of Avion is there any pending or threatened, infraction, proceeding, action or other claim, Liability or potential Liability arising under any Environmental Law that is pending as of the date hereof.
- (t) Tax Matters. Except as set out in the Avion Disclosure Letter or as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to Avion:
 - (i) Each of Avion and the Avion Subsidiaries has duly and timely in the prescribed manner, made or prepared all Tax Returns required to be made or prepared by it, has duly and timely filed all Tax Returns required to be filed by it with the

appropriate Governmental Entity and has, in all material respects, completely and correctly reported all income and all other amounts or information required to be reported thereon. All such Tax Returns are complete and accurate in all material respects.

- (ii) Each of Avion and the Avion Subsidiaries has (A) duly and timely paid, and will continue to pay until the Effective Date, all Taxes due and payable by it, (B) duly and timely withheld, and will continue to withhold until the Effective Date, all Taxes and other amounts required by Law to be withheld by it and has duly and timely remitted to the appropriate Governmental Entity such Taxes and other amounts required by Law to be remitted by it, and (C) duly and timely collected all amounts on account of sales or transfer taxes, including goods and services, harmonized sales and provincial or territorial sales taxes, required by Law to be collected by it and has duly and timely remitted to the appropriate Governmental Entity any such amounts required by Law to be remitted by it. No deficiency with respect to any payment of Taxes has been asserted against it by any Governmental Entity.
- (iii) The charges, accruals and reserves for Taxes reflected on the Avion Financial Statements (whether or not due and whether or not shown on any Tax Return but excluding any provision for deferred income taxes) are, in the opinion of Avion, adequate under Canadian GAAP to cover Taxes with respect to Avion and the Avion Subsidiaries accruing through the date hereof.
- (iv) There are no agreements, waivers or other arrangements with any Governmental Entity providing for an extension of time with respect to any assessment or reassessment of Tax, the filing of any Tax Return or the payment of any Tax by Avion. Avion has received Notices of Assessment for all taxation years up to the 2007 taxation year. Dynamite has not waived any Statute of limitations in respect of Taxes.
- (u) Tax Proceedings. To the knowledge of Avion, there are no proceedings, investigations, audits, assessments, reassessments or claims now pending or threatened against Avion or the Avion Subsidiaries that propose to assess Taxes in addition to those reported in the Tax Returns and no waiver of any statute of limitations with respect to Taxes has been given or requested with respect to Avion or the Avion Subsidiaries.
- (v) Pension and Employee Benefits. All pension and employee compensation and benefit plans for employees of Avion or the Avion Subsidiaries are described in the Avion Documents or the Avion Disclosure Letter. Avion and the Avion Subsidiaries have complied, in all material respects, with all of the terms of the pension and other employee compensation and benefit plans and obligations of Avion or the Avion Subsidiaries, as the case may be, including the provisions of any collective agreements, funding and investment contracts or obligations applicable thereto, arising under or relating to each of the pension or retirement income plans or other employee compensation or benefit plans, agreements, policies, programs, arrangements or practices, whether written or oral, which are maintained by or binding upon Avion and any Avion Subsidiary, as the case may be, other than such non-compliance that would not reasonably be expected to have a Material Adverse Effect on Avion.
- (w) Reporting Status. Avion is a reporting issuer or its equivalent in the Provinces of Alberta, British Columbia and Ontario. The Avion Common Shares are listed on the Exchange. Avion is a

“foreign private issuer” as defined in Rule 405 under the U.S. Securities Act and has no class of securities that is registered or required to be registered under the *U.S. Exchange Act* and Avion is not required to file reports with the SEC under the *U.S. Exchange Act*.

- (x) Reports. Since June 1, 2007, Avion has filed with the Securities Authorities and the Exchange a true and complete copy of the Avion Documents. The Avion Documents, at the time filed or, if amended, as of the date of such amendment: (i) did not contain any misrepresentation (as defined in the *Securities Act* (Ontario)) and did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (ii) complied, in all material respects, with the requirements of applicable securities legislation and the rules, policies and instruments of all Securities Authorities having jurisdiction over Avion except where such non-compliance has not had or would not reasonably be expected to have a Material Adverse Effect on Avion. Avion has not filed any confidential material change or other report or other document with any Securities Authorities or stock exchange or other self-regulatory authority which at the date hereof remains confidential.
- (y) Compliance with Laws. Except with respect to matters relating to the environment or Environmental Laws (which are addressed in Section 3.2(s) above), Avion and the Avion Subsidiaries have complied with and are not in violation of any applicable Law other than such non-compliance or violations that would not, individually or in the aggregate, have a Material Adverse Effect on Avion.
- (z) Restrictions on Business Activities. There is no agreement, judgment, injunction, order or decree binding upon Avion of any of the Avion Subsidiaries that has or could reasonably be expected to have the effect of prohibiting, restricting or impairing any material business practice of Avion or any of the Avion Subsidiaries, any acquisition of material property by Avion or any of the Avion Subsidiaries or the conduct of business by Avion or any of the Avion Subsidiaries as currently conducted.
- (aa) No Cease Trade. Avion is not subject to any cease trade or other order of any applicable stock exchange or Securities Authority and, to the knowledge of Avion, no investigation or other proceedings involving Avion that may operate to prevent or restrict trading of any securities of Avion are currently in progress or pending before any applicable stock exchange or Securities Authority.
- (bb) Registration Rights. No holder of securities issued by Avion has any contractual right to compel Avion or register or otherwise qualify such securities for public sale in Canada or the United States.
- (cc) No Option on Assets. Other than Dynamite, except as disclosed in the Avion Documents, no Person has any agreement or option or any right or privilege capable of becoming an agreement or option for the purchase from Avion or any Avion Subsidiary of any of the material assets of Avion or any Avion Subsidiary, other than as described or contemplated herein.
- (dd) Certain Contracts. Neither Avion nor any Avion Subsidiary is a party to or bound by any non-competition agreement or any other agreement, obligation, judgment, injunction, order or decree that purports to (i) limit the manner or the localities in which all or any material portion of the business of Avion or any Avion Subsidiary are conducted, (ii) limit any business practice of Avion or any Avion Subsidiary in any material respect, or (iii) restrict or require any acquisition or disposition of any property by Avion or any Avion Subsidiary in any material respect.

- (ee) Cash and Liabilities. Avion and the Avion Subsidiaries had approximately \$0.5 million in cash as of the close of business on March 16, 2009, and liabilities required to be recorded on the consolidated balance sheet of Avion in accordance with generally accepted accounting principles as of March 16, 2009 (excluding future income tax liabilities) would not exceed \$2.5 million. There are no material Liabilities of Avion or any Avion Subsidiary whether direct, indirect, absolute, contingent or otherwise which are not disclosed or reflected in the Avion Financial Statements, except (i) those incurred in the ordinary course of their respective businesses since August 31, 2008; (ii) liabilities for expenditures required by law since August 31, 2008; (iii) liabilities for reasonable expenditures made in connection with the Transaction; and (iv) liabilities for expenses that have been jointly approved by Avion and Dynamite.
- (ff) No Adverse Change. Except as set out in the Avion Documents or the Avion Disclosure Letter, since August 31, 2008 there has not been any adverse material change of any kind whatsoever in the financial position or condition of Avion on a consolidated basis or any damage, loss or other change of any kind whatsoever in circumstances materially affecting their respective businesses or assets, taken as a whole, or the right or capacity of any of them to carry on their respective businesses, such businesses having been carried on in the ordinary course.
- (gg) No Indebtedness. Neither Avion nor any Avion Subsidiary owes any money to, has any present loans to, has borrowed any monies from, or is otherwise indebted to any officer, director, employee, shareholder or any Person not dealing at “arm’s length” (as such term is defined in the Tax Act) with Avion or the Avion Subsidiaries, except as set forth in the Avion Documents and Avion Disclosure Letter.
- (hh) No Agreement to Merge. Except for this Agreement, neither Avion nor any Avion Subsidiary has any agreement of any nature whatsoever to acquire, merge or enter into any business combination with any entity, or to acquire or lease any other business operations.
- (ii) No Significant Transactions. There are no “significant acquisitions”, “significant dispositions” and “significant probable acquisitions”, as such terms are defined in Applicable Securities Laws, for which Avion is required, pursuant to Applicable Securities Laws, to prepare additional financial disclosure for the Proxy Circular.
- (jj) Internal Controls. Avion maintains a system of internal accounting controls sufficient to provide reasonable assurance that:
- (i) transactions are executed in accordance with management’s general or specific authorization;
 - (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles in Canada and to maintain asset accountability;
 - (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and
 - (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

and Avion is not aware of any material weakness in its internal controls over financial reporting.

- (kk) Disclosure of Material Contracts. All contracts and agreements material to Avion on a consolidated basis (collectively, the “**Material Contracts**”) have been disclosed to Dynamite or in the Avion Documents filed on SEDAR and, except as set out in the Avion Disclosure Letter, or as contemplated herein, neither Avion nor any Avion Subsidiary has approved, entered into any binding agreement in respect of, or has any knowledge of, the purchase of any material property or assets or any interest therein or the sale, transfer or other disposition of any material property or assets or any interest therein currently owned, directly or indirectly, by Avion, whether by asset sale, transfer of shares or otherwise;
- (ll) No Broker’s Commission. Avion has not entered into any agreement that would entitle any Person to any valid claim against Avion or Dynamite for a broker’s commission, finder’s fee, financial advisory fee or any like payment in respect of the Arrangement or any other matter contemplated by this Agreement, except for the fees and expenses set out in the Avion Disclosure Letter.
- (mm) Avion Common Shares. The Avion Common Shares to be issued pursuant to the Arrangement will, upon issue, be issued as fully paid and non-assessable shares of Avion, provided that they are issued in accordance with the Plan of Arrangement.

Section 3.3 Survival of Representations and Warranties

The representations and warranties contained in this Agreement shall survive the execution and delivery of this Agreement and shall terminate and merge on the earlier of the Effective Date and the date on which this Agreement is terminated in accordance with its terms. Any investigation by Avion or Dynamite and their respective advisors shall not mitigate, diminish or affect the representations and warranties contained in this Agreement.

ARTICLE FOUR COVENANTS

Section 4.1 Covenants of Dynamite

Subject to Sections 6.1, 6.2 and 6.3, Dynamite hereby covenants and agrees with Avion that, during the period from the date of this Agreement until the earlier of the Effective Date and the time that this Agreement is terminated in accordance with its terms, unless Avion shall otherwise agree in writing or other than as expressly contemplated or permitted by this Agreement, including, without limitation, Section 2.1 herein:

- (a) Proxy Solicitation. In a timely and expeditious manner, Dynamite shall, in the ordinary course in connection with the Proxy Circular, directly or indirectly, solicit proxies in favour of the Dynamite Resolution (and the Stated Capital Resolution, if necessary).
- (b) Adjournment. Dynamite shall not adjourn, postpone or cancel the Dynamite Meeting (or propose to do so), except (i) if quorum is not present at the Dynamite Meeting; (ii) if required by applicable Laws; (iii) if required by the Dynamite Shareholders; or (iv) if otherwise agreed with Avion (any consent of Avion not to be unreasonably withheld).

- (c) Dissent Rights. Dynamite shall provide Avion with a copy of any purported exercise of the Dissent Rights and written communications with any such Dynamite Shareholder purportedly exercising such Dissent Rights, and shall not settle or compromise any action brought by any present, former or purported holder of any of its securities in connection with the Transaction, including the Arrangement, without the prior consent of Avion.
- (d) Amendments. In a timely and expeditious manner, Dynamite shall prepare and file any mutually agreed (or as otherwise required by applicable Laws) amendments or supplements to the Proxy Circular (which amendments or supplements shall be in a form satisfactory to Avion, acting reasonably) with respect to the Dynamite Meeting and shall mail such amendments or supplements, as required by the Interim Order and in accordance with all applicable Laws, in and to all jurisdictions where such amendments or supplements are required to be mailed, complying in all material respects with all applicable Laws on the date of the mailing thereof.
- (e) Usual Business. Other than in contemplation of or as required to give effect to the Transaction or as contemplated in the Dynamite Disclosure Letter or otherwise herein, Dynamite shall, and shall cause the Dynamite Subsidiaries to, conduct business only in, and not take any action except in, the ordinary course of business and consistent with past practice.
- (f) Certain Actions Prohibited. Other than as set out in the Dynamite Disclosure Letter or otherwise herein, or in contemplation of or as required to give effect to the Transaction, Dynamite shall not, without the prior written consent of Avion (such consent not to be unreasonably withheld), directly or indirectly, do or permit to occur any of the following:
- (i) issue, allot, reserve, set aside, authorize, sell, pledge, lease, dispose of, encumber or create any Encumbrance on or agree to issue, allot, reserve, set aside, authorize, sell, pledge, lease, dispose of, or encumber or create any Encumbrance on, or permit the Dynamite Subsidiaries to issue, allot, reserve, set aside, authorize, sell, pledge, lease, dispose of, encumber or create any Encumbrance on or agree to issue, allot, reserve, set aside, authorize, sell, pledge, lease, dispose of, or encumber or create any Encumbrance on, any shares of, or any Convertible Securities or rights of any kind to acquire any shares of, Dynamite or a Dynamite Subsidiary, including without limitation, the Dynamite Common Shares, other than the issue of Dynamite Common Shares pursuant to the exercise of the Dynamite Options, the Dynamite Warrants or other rights issued and outstanding on the date hereof in accordance with their terms as of the date hereof;
 - (ii) other than pursuant to obligations or rights under existing contracts, agreements and commitments (to the extent such rights have been exercised or initiated by other Persons), sell, lease or otherwise dispose of, or allow any Encumbrance on, or permit the Dynamite Subsidiaries to sell, lease or otherwise dispose of, or allow any Encumbrance on, any material property or assets or enter into any agreement or commitment in respect of any of the foregoing outside of the ordinary course of business;
 - (iii) amend or propose to amend the Articles or by-laws (or their equivalent) of Dynamite or any Dynamite Subsidiary, the Dynamite Option Plans or any of the terms of the Dynamite Options or the Dynamite Warrants as they exist at the date of this Agreement;

- (iv) split, combine or reclassify any of the Dynamite Common Shares or any of the shares of the Dynamite Subsidiaries, or declare, set aside or pay any dividend or other distribution payable in cash, securities, property or otherwise with respect to the Dynamite Common Shares or any shares of the Dynamite Subsidiaries;
- (v) redeem, purchase or offer to purchase, or permit any Dynamite Subsidiary to redeem, purchase or offer to purchase, any Dynamite Common Shares and, other than pursuant to the Dynamite Option Plan and instruments with respect to the Dynamite Options or the Dynamite Warrants outstanding as at the date hereof any options or obligations or rights under existing contracts, agreements and commitments, provided that Dynamite shall be entitled to cancel up to 3,000,000 Dynamite Common Shares pursuant to an existing agreement to cancel;
- (vi) except as provided under the terms of the Dynamite Option Plan and the Plan of Arrangement with respect to a change of control as a result of the Transaction, whether through its board of directors or otherwise, accelerate the vesting of any unvested Dynamite Options, or otherwise amend, vary or modify the Dynamite Option Plan or any Dynamite Options;
- (vii) reduce its stated capital, return capital to its shareholders or repay any indebtedness for borrowed money before it is due;
- (viii) adopt resolutions or enter into any agreement providing for the amalgamation, merger, consolidation, reorganization, liquidation, dissolution or any other extraordinary transaction in respect of Dynamite or any Dynamite Subsidiary or adopt any plan of liquidation;
- (ix) acquire or agree to acquire any corporation or other entity (or material interest therein) or division of any corporation or other entity, or permit any Dynamite Subsidiary to acquire or agree to acquire any corporation or other entity (or material interest therein) or division of any corporation or other entity;
- (x) (A) satisfy or settle any claim or dispute, except such as have been included in the Dynamite Financial Statements and the Dynamite Disclosure Letter or which constitutes a claim between Dynamite and the Dynamite Subsidiaries; (B) grant any waiver, exercise any option or relinquish any contractual rights; or (C) enter into any interest rate, currency or commodity swaps, hedges, caps, collars, forward sales or other similar financial instruments;
- (xi) incur, authorize, agree or otherwise become committed to provide guarantees for borrowed money or incur, authorize, agree or otherwise become committed for any indebtedness for borrowed money, or permit any of Dynamite or any Dynamite Subsidiary to incur, authorize, agree or otherwise become committed to provide guarantees for borrowed money or incur, authorize, agree or otherwise become committed for any indebtedness for borrowed money;
- (xii) except as required by Canadian GAAP, any other generally accepted accounting principles to which Dynamite or the Dynamite Subsidiaries may be subject or any applicable Law, make any changes to the existing accounting practices of Dynamite or make any material tax election inconsistent with past practice;

- (xiii) enter into or modify in any material respect any agreements or arrangements or take any other action that would reasonably be expected to have a Material Adverse Effect on Dynamite;
 - (xiv) enter into or amend any agreements, arrangements or transactions with any related entity; or
 - (xv) enter into, or cause any of Dynamite or the Dynamite Subsidiaries to enter into, new commitments of a capital expenditure nature or incur any new liabilities other than (A) ordinary course expenditures for budgeted expenditures as disclosed in writing to Avion; (B) expenditures required by law; (C) expenditures made in connection with the Transaction; and (D) such expenses that have been jointly approved by Avion and Dynamite.
- (g) Employment Arrangements. Except as set out herein and in the Dynamite Disclosure Letter, Dynamite shall not, without the prior written consent of Avion, such consent not to be unreasonably withheld or delayed, and shall cause each Dynamite Subsidiary not to, enter into, amend, alter, modify or terminate any employment, consulting or severance agreement (other than with respect to non-executive employees in the ordinary course), any collective bargaining or similar agreement, policy or arrangement with, or grant any bonus, salary increase, option to purchase shares, pension or supplemental pension benefit, profit sharing, retirement allowance, deferred compensation, incentive compensation, severance, change of control or termination pay to, or make any loan to, any officer, director, employee or consultant of Dynamite or any Dynamite Subsidiary, other than amendments to agreements made such that consultants and employees as the case may be, waive application of their change of control provisions.
- (h) Insurance. Dynamite shall use commercially reasonable efforts, and shall cause each Dynamite Subsidiary to use commercially reasonable efforts, to cause their respective current insurance (or reinsurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of internationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect.
- (i) Certain Actions. Dynamite shall:
- (i) carry out the terms of the Interim Order (including mailing the Proxy Circular to Dynamite Shareholders as ordered by the Interim Order) and the Final Order applicable to it and use its reasonable efforts to comply promptly with all requirements which applicable Law may impose on Dynamite or any of the Dynamite Subsidiaries with respect to the transactions contemplated hereby and by the Arrangement;
 - (ii) not take any action, or refrain from taking any action (subject to commercially reasonable efforts), or permit any action to be taken or not taken, inconsistent with the provisions of this Agreement or which would reasonably be expected to materially impede the completion of the Transaction or would render, or that could reasonably be expected to render, any representation or warranty made by Dynamite in this Agreement untrue or inaccurate in any material respect at any time prior to the Effective Time if then made, or which would have a Material Adverse Effect on Dynamite; and

- (iii) promptly notify Avion of: (A) any change, event, occurrence or state of facts that would reasonably be expected to have a Material Adverse Effect on Dynamite, (B) any material Governmental Entity or third Person complaints, investigations or hearings (or communications indicating that the same may be contemplated), (C) any material breach by Dynamite of any covenant or agreement contained in this Agreement, and (D) any event occurring subsequent to the date hereof that would render any representation or warranty of Dynamite contained in this Agreement, if made on or as of the date of such event or the Effective Date, untrue or inaccurate in any material respect.

- (j) Contractual Obligations. Other than as contemplated in Article 6, Dynamite shall not, and shall cause the Dynamite Subsidiaries not to, enter into, renew or modify in any respect any material contract, agreement, lease, commitment or arrangement to which Dynamite or any Dynamite Subsidiary is a party or by which either of them is bound, except insofar as may be necessary to permit or provide for the completion of the Arrangement or with the prior consent of Avion which consent shall not be arbitrarily or unreasonably withheld or delayed.

- (k) Satisfaction of Conditions. Dynamite shall, and shall cause each of the Dynamite Subsidiaries to, use all commercially reasonable efforts to satisfy, or cause to be satisfied, all conditions precedent to its obligations to the extent that the same is within its control and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under all applicable Laws to complete the Transaction, including using its commercially reasonable efforts to:
 - (i) obtain all consents, approvals and authorizations as are required to be obtained by Dynamite or the Dynamite Subsidiaries under any applicable Law or from any Governmental Entity that would, if not obtained, materially impede the completion of the Transaction or have a Material Adverse Effect on Dynamite;
 - (ii) effect all necessary registrations, filings and submissions of information requested by Governmental Entities required to be effected by it in connection with the Transaction and participate and appear in any proceedings of any party hereto before any Governmental Entity;
 - (iii) oppose, lift or rescind any injunction or restraining order or other order or action challenging or affecting this Agreement, the Transaction or seeking to stop, or otherwise adversely affecting the ability of the Parties to consummate, the Transaction;
 - (iv) fulfill all conditions and satisfy all provisions of this Agreement and the Plan of Arrangement required to be fulfilled or satisfied by Dynamite; and
 - (v) cooperate with Avion in connection with the performance by Avion of its obligations hereunder and under the Plan of Arrangement, provided however that the foregoing shall not be construed to obligate Dynamite to pay or cause to be paid any monies to cause such performance to occur.

- (l) Keep Fully Informed. Subject to applicable Laws, Dynamite shall use commercially reasonable efforts to conduct itself so as to keep Avion fully informed as to the material decisions or actions required or required to be made with respect to the operation of its business.

- (m) Cooperation. Dynamite shall make, or cooperate as necessary in the making of, all necessary filings and applications under all applicable Laws required in connection with the Transaction and take all reasonable action necessary to be in compliance with such Laws.
- (n) Representations. Dynamite shall use its commercially reasonable efforts to conduct its affairs and to cause each of the Dynamite Subsidiaries to conduct its affairs so that all of the representations and warranties of Dynamite contained herein shall be true and correct on and as of the Effective Date as if made on and as of such date.
- (o) Continuing Review. Subject to applicable Laws, Dynamite shall continue to make available and cause to be made available to Avion and the agents and advisors thereto all documents, agreements, corporate records and minute books as may be necessary to enable Avion to effect a thorough examination of Dynamite, the Dynamite Subsidiaries and the business, properties and financial status thereof, and shall cooperate with Avion in securing access for Avion to any documents, agreements, corporate records or minute books not in the possession or under the control of Dynamite. Subject to applicable Laws, upon reasonable notice, Dynamite shall, and shall cause the Dynamite Subsidiaries to, afford the officers, employees, counsel, accountants and other authorized representatives and advisors of Avion reasonable access, during normal business hours from the date hereof until the earlier of the Effective Time and the termination of this Agreement, to the properties, books, contracts and records as well as to the management personnel of Dynamite, the Dynamite Subsidiaries, and during such period, Dynamite shall, and shall cause the Dynamite Subsidiaries to, furnish promptly to Avion all information concerning the business, properties and personnel of Dynamite and the Dynamite Subsidiaries as Avion may reasonably request, except as limited by any applicable privacy laws.
- (p) Closing Documents. Dynamite shall execute and deliver, or cause to be executed and delivered, at the closing of the Transaction such customary agreements, certificates, resolutions, and other customary closing documents as may be required by Avion, all in form satisfactory to Avion, acting reasonably. For greater certainty and without limitation, this shall include a legal opinion (or legal opinions) subject to reasonable qualifications with respect to corporate matters typical for transactions such as the Transaction.
- (q) Completion Date. Dynamite shall use commercially reasonable efforts to complete the Transaction on or prior to the Completion Deadline.

Section 4.2 Covenants of Avion

Avion hereby covenants and agrees with Dynamite that, during the period from the date of this Agreement until the earlier of the Effective Date and the time that this Agreement is terminated in accordance with its terms, unless Dynamite shall otherwise agree in writing or other than as expressly contemplated or permitted by this Agreement:

- (a) Proceedings. In a timely and expeditious manner, Avion shall take all such actions and do all such acts and things as are specified herein, in the Interim Order, the Plan of Arrangement (including issuing the Avion Common Shares contemplated pursuant to Section 2.3 of the Plan of Arrangement) and the Final Order to be taken or done by Avion.
- (b) Information and Consents for Proxy Circular. In a timely and expeditious manner, Avion shall provide to Dynamite such information in its possession or under its control and shall use its commercially reasonable efforts to obtain any third party consents as may be reasonably requested by Dynamite or as required by the Interim Order or applicable Laws with respect to

Avion and its businesses and properties for inclusion in the Proxy Circular or in any amendment or supplement to the Proxy Circular that complies in all material respects with all applicable Laws on the date of the mailing thereof and containing all material facts relating to Avion required to be disclosed in the Proxy Circular and not containing any misrepresentation (as defined under applicable securities legislation) or untrue statement of material fact or omit to state a material fact required to be stated therein in order to make any information so furnished for use in any such document not misleading in light of the circumstances in which it is provided with respect thereto. Avion shall fully cooperate with Dynamite in the preparation of the Proxy Circular and shall provide such assistance as Dynamite may reasonably request in connection therewith.

- (c) Amendments. In a timely and expeditious manner, Avion shall provide Dynamite with information relating to Avion as reasonably requested by Dynamite in order to prepare any amendments or supplements to the Proxy Circular with respect to the Dynamite Meeting in accordance with the Interim Order.
- (d) Interim Order. Avion shall jointly (if required) with Dynamite forthwith file, proceed with and diligently prosecute an application for the Interim Order, which application shall be in a form and substance satisfactory to the Parties, acting reasonably.
- (e) Final Order. Subject to the approval of the Arrangement at the Dynamite Meeting in accordance with the provisions of the Interim Order, Avion shall jointly (if required) with Dynamite forthwith file, proceed with and diligently prosecute an application for the Final Order, which application shall be in a form and substance satisfactory to the Parties, acting reasonably.
- (f) Copy of Documents. Except for proxies and other non-substantive communications, Avion shall furnish promptly to Dynamite a copy of each notice, report, schedule or other document or communication delivered, filed or received by Avion in connection with the Arrangement or the Interim Order, any filing under any applicable Law and any dealings or communications with any Governmental Entity, Securities Authority or stock exchange in connection with, or in any way affecting the Transaction.
- (g) Usual Business. Other than in contemplation of or as required to give effect to the Transaction or as required in connection with the commencement of mining operations at Tabakoto and Segala, including without limitation budgeted expenditures in relation to the operations of Tabakoto and Segala and as contemplated in the Avion Disclosure Letter or otherwise herein, Avion shall, and shall cause the Avion Subsidiaries to, conduct business only in, and not take any action except in, the ordinary course of business and consistent with past practice, acting reasonably, other than securing interim financing prior to the close of the Transaction as reasonably required, such interim financing not to result in the issuance of any Avion Common Shares or any Convertible Securities of Avion.
- (h) Certain Actions Prohibited. Other than as set out in the Avion Disclosure Letter, or in contemplation of or as required to give effect to the Transaction, Avion shall not, without the prior written consent of Dynamite (such consent not to be unreasonably withheld), directly or indirectly, do or permit to occur any of the following:
 - (i) issue, allot, reserve, set aside, authorize, sell, pledge, lease, dispose of, encumber or create any Encumbrance on or agree to issue, allot, reserve, set aside, authorize, sell, pledge, lease, dispose of, or encumber or create any Encumbrance on, or permit the Avion Subsidiaries to issue, allot, reserve, set aside, authorize,

sell, pledge, lease, dispose of, encumber or create any Encumbrance on or agree to issue, allot, reserve, set aside, authorize, sell, pledge, lease, dispose of, or encumber or create any Encumbrance on, any shares of, or any Convertible Securities or rights of any kind to acquire any shares of, Avion or any Avion Subsidiary, including without limitation, the Avion Common Shares, other than the issue of Avion Common Shares pursuant to the exercise of the Avion Options, Avion Warrants or other rights issued and outstanding on the date hereof in accordance with their terms as of the date hereof;

- (ii) other than pursuant to obligations or rights under existing contracts, agreements and commitments (to the extent such rights have been or may be exercised or initiated by other Persons), sell, lease or otherwise dispose of, or allow any Encumbrance on, or permit the Avion Subsidiaries to sell, lease or otherwise dispose of, or allow any Encumbrance on, any material property or assets or enter into any agreement or commitment in respect of any of the foregoing outside of the ordinary course of business;
- (iii) amend or propose to amend the Articles or by-laws (or their equivalent) of Avion or any Avion Subsidiary, the Avion Option Plan or any of the terms of the Avion Options or the Avion Warrants as they exist at the date of this Agreement;
- (iv) split, combine or reclassify any of the Avion Common Shares or any of the shares of the Avion Subsidiaries, or declare, set aside or pay any dividend or other distribution payable in cash, securities, property or otherwise with respect to the Avion Common Shares or any shares of the Avion Subsidiaries;
- (v) redeem, purchase or offer to purchase, or permit any Avion Subsidiary to redeem, purchase or offer to purchase, any Avion Common Shares and, other than pursuant to the Avion Option Plan and instruments with respect to the Avion Options or the Avion Warrants outstanding as at the date hereof any options or obligations or rights under existing contracts, agreements and commitments;
- (vi) reduce its stated capital, return capital to its shareholders or repay any indebtedness for borrowed money before it is due;
- (vii) adopt resolutions or enter into any agreement providing for the amalgamation, merger, consolidation, reorganization, liquidation, dissolution or any other extraordinary transaction in respect of Avion or any Avion Subsidiary or adopt any plan of liquidation;
- (viii) acquire or agree to acquire any corporation or other entity (or material interest therein) or division of any corporation or other entity, or permit any Avion Subsidiary to acquire or agree to acquire any corporation or other entity (or material interest therein) or division of any corporation or other entity;
- (ix) (A) satisfy or settle any claim or dispute, except such as have been included in the Avion Financial Statements and the Avion Disclosure Letter or which constitutes a claim between Avion and the Avion Subsidiaries; (B) grant any waiver, exercise any option or relinquish any contractual rights; or (C) enter into any interest rate, currency or commodity swaps, hedges, caps, collars, forward sales or other similar financial instruments;

- (x) other than the proposed Ecobank Mali SA loan agreement for up to USD \$3,000,000 that will not result in the issuance of Avion Common Shares or Convertible Securities incur, authorize, agree or otherwise become committed to provide guarantees for borrowed money or incur, authorize, agree or otherwise become committed for any indebtedness for borrowed money, or permit any of Avion or any Avion Subsidiary to incur, authorize, agree or otherwise become committed to provide guarantees for borrowed money or incur, authorize, agree or otherwise become committed for any indebtedness for borrowed money;
 - (xi) except as required by Canadian GAAP, any other generally accepted accounting principles to which Avion or the Avion Subsidiaries may be subject or any applicable Law, make any material changes to the existing accounting practices of Avion or make any material tax election inconsistent with past practice;
 - (xii) enter into or modify in any material respect any agreements or arrangements or take any other action that would reasonably be expected to have a Material Adverse Effect on Avion;
 - (xiii) enter into or amend any agreements, arrangements or transactions with any related entity;
 - (xiv) enter into, or cause any of Avion or the Avion Subsidiaries to enter into, new commitments of a capital expenditure nature or incur any new liabilities other than (A) ordinary course expenditures including but not limited to budgeted expenditures in relation to the Tabakoto and Segala projects as set out in the Disclosure Letter; (B) expenditures required by law; (C) expenditures made in connection with the Transaction; and (D) such expenses that have been jointly approved by Avion and Dynamite;
- (i) Employment Arrangements. Except as set out herein and in the Avion Disclosure Letter, Avion shall not, without the prior written consent of Dynamite, such consent not to be unreasonably withheld or delayed, and shall cause each Avion Subsidiary not to, enter into, amend, alter, modify or terminate any employment, consulting or severance agreement (other than with respect to non-executive employees in the ordinary course), any collective bargaining or similar agreement, policy or arrangement with, or grant any bonus, salary increase, option to purchase shares, pension or supplemental pension benefit, profit sharing, retirement allowance, deferred compensation, incentive compensation, severance, change of control or termination pay to, or make any loan to, any officer, director, employee or consultant of Avion or any Avion Subsidiary.
- (j) Insurance. Avion shall use commercially reasonable efforts, and shall cause each Avion Subsidiary to use commercially reasonable efforts, to cause their respective current insurance (or reinsurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of internationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect.
- (k) Certain Actions. Avion shall:

- (i) use its reasonable efforts to comply promptly with all requirements which applicable Law may impose on Avion or any of the Avion Subsidiaries with respect to the transactions contemplated hereby and by the Arrangement (including any terms of the Interim Order or the Final Order applicable to Avion);
 - (ii) not take any action, or refrain from taking any action (subject to commercially reasonable efforts), or permit any action to be taken or not taken, inconsistent with the provisions of this Agreement or which would reasonably be expected to materially impede the completion of the Transaction or would render, or that could reasonably be expected to render, any representation or warranty made by Avion in this Agreement untrue or inaccurate in any material respect at any time prior to the Effective Time if then made, or which would have a Material Adverse Effect on Avion, and
 - (iii) promptly notify Dynamite of: (A) any change, event, occurrence or state of facts that would reasonably be expected to have a Material Adverse Effect on Avion, (B) any material Governmental Entity or third Person complaints, investigations or hearings (or communications indicating that the same may be contemplated), (C) any material breach by Avion of any covenant or agreement contained in this Agreement, and (D) any event occurring subsequent to the date hereof that would render any representation or warranty of Avion contained in this Agreement, if made on or as of the date of such event or the Effective Date, untrue or inaccurate in any material respect.
- (l) Contractual Obligations. Other than in the ordinary course of business and operations, Avion shall not, and shall cause the Avion Subsidiaries not to, enter into, renew or modify in any respect any material contract, agreement, lease, commitment or arrangement to which Avion or any Avion Subsidiary is a party or by which either of them is bound, except insofar as may be necessary to permit or provide for the completion of the Arrangement or with the prior consent of Avion which consent shall not be arbitrarily or unreasonably withheld or delayed.
- (m) Satisfaction of Conditions. Avion shall, and shall cause each of the Avion Subsidiaries to, use all commercially reasonable efforts to satisfy, or cause to be satisfied, all of the conditions precedent to its obligations to the extent the same is within its control and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under all applicable Laws to complete the Transaction, including using its commercially reasonable efforts to:
- (i) obtain all consents, approvals and authorizations as are required to be obtained by Avion or the Avion Subsidiaries under any applicable Law or from any Governmental Entity that would, if not obtained, materially impede the completion of the Transaction or have a Material Adverse Effect on Avion;
 - (ii) effect all necessary registrations, filings and submissions of information requested by Governmental Entities required to be effected by it in connection with the Transaction and participate, and appear in any proceedings of any party hereto before any Governmental Entity;
 - (iii) oppose, lift or rescind any injunction or restraining order or other order or action challenging or affecting this Agreement, the Transaction or seeking to stop, or

otherwise adversely affecting the ability of the Parties hereto to consummate, the Transaction;

- (iv) fulfill all conditions and satisfy all provisions of this Agreement and the Plan of Arrangement required to be fulfilled or satisfied by Avion;
 - (v) cooperate with Dynamite in connection with the performance by Dynamite of its obligations hereunder, provided however that the foregoing shall not be construed to obligate Avion to pay or cause to be paid any monies to cause such performance to occur; and
 - (vi) reserve a sufficient number of Avion Common Shares for issuance upon completion of the Arrangement and cause the Avion Common Shares to be listed and posted for trading on the Exchange by the Effective Date.
- (n) Keep Fully Informed. Subject to applicable Laws, Avion shall use commercially reasonable efforts to conduct itself so as to keep Dynamite informed as to the material decisions or actions required or required to be made with respect to the operation of its business.
- (o) Cooperation. Avion shall make, or cooperate as necessary in the making of, all necessary filings and applications under all applicable Laws required in connection with the Transaction and take all reasonable action necessary to be in compliance with such Laws.
- (p) Representations. Avion shall use its commercially reasonable efforts to conduct its affairs and to cause each of the Avion Subsidiaries to conduct its affairs so that all of the representations and warranties of Avion contained herein shall be true and correct on and as of the Effective Date as if made on and as of such date.
- (q) Continuing Review. Subject to applicable Laws, Avion shall continue to make available and cause to be made available to Dynamite and the agents and advisors thereto all documents, agreements, corporate records and minute books as may be necessary to enable Dynamite to effect a thorough examination of Avion, the Avion Subsidiaries and the business, properties and financial status thereof, and shall cooperate with Dynamite in securing access for Dynamite to any documents, agreements, corporate records or minute books not in the possession or under the control of Avion. Subject to applicable Laws, upon reasonable notice, Avion shall, and shall cause the Avion Subsidiaries to, afford the officers, employees, counsel, accountants and other authorized representatives and advisors of Dynamite reasonable access, during normal business hours from the date hereof until the earlier of the Effective Time and the termination of this Agreement, to the properties, books, contracts and records as well as to the management personnel of Avion, the Avion Subsidiaries, and during such period, Avion shall, and shall cause the Avion Subsidiaries to, furnish promptly to Dynamite all information concerning the business, properties and personnel of Avion and the Avion Subsidiaries as Dynamite may reasonably request, except as limited by any applicable privacy laws.
- (r) Closing Documents. Avion shall execute and deliver, or cause to be executed and delivered at the closing of the Transaction such customary agreements, certificates, resolutions and other closing documents as may be required by Dynamite, all in form satisfactory to Dynamite, acting reasonably. For greater certainty and without limitation, this shall include a legal opinion (or legal opinions) subject to reasonable qualifications with respect to corporate matters typical for a transaction such as the Transaction and title matters.

- (s) Dynamite Options and Dynamite Warrants. Upon the exercise of the Dynamite Options and Dynamite Warrants in accordance with their terms, Avion shall issue Avion Common Shares (based on the Share Exchange Ratio).
- (t) Consideration Paid to Dissenters. Avion will cause Dynamite to pay any such dissenting Dynamite Shareholders the value of their Dynamite Common Shares out of Dynamite's own funds.
- (u) Listing. Avion will take all actions reasonably necessary to cause the Avion Common Shares to be issued as contemplated in the Plan of Arrangement including without limitation, the Avion Common Shares issuable on exercise of the Dynamite Options and Dynamite Warrants, to be listed and posted for trading on the Exchange.
- (v) Completion Date. Avion shall use commercially reasonable efforts to complete the Transaction on or prior to the Completion Deadline.
- (w) Current Dynamite Employment Agreements. Following the Effective Time, Avion shall cause Dynamite to honour the terms of all employment or consulting agreements to which Dynamite is a party.
- (x) Tabakoto Mine. Following the Effective Time, Avion shall allocate funds and operational resources necessary for the development activities and production at the Tabakoto mine and mill in Segala, as a priority.

Section 4.3 Mutual Covenants and Agreements

- (a) Copy of Documents. Except for proxies and other non-substantive communications, Avion or Dynamite, as the case may be, shall furnish promptly to the other, a copy of each notice, report, schedule or other document or communication delivered, filed or received by it in connection with this Agreement, the Arrangement, the Interim Order or the Dynamite Meeting or any other meeting at which all Dynamite Shareholders are entitled to attend relating to special business, any filings made under any applicable Law and any dealings or communications with any Governmental Entity, Securities Authority or stock exchange in connection with, or in any way affecting, the Transaction.
- (b) Segala Property. Each of Dynamite and Avion hereby agree that any timelines established under the share purchase agreement relating to Dynamite's purchase of a 40% interest in the Segala property between the Parties dated as of October 8, 2008 are hereby suspended during the term of this Agreement, with any such deadlines to be deferred for a period of time equal to the term commencing on February 8, 2009 and terminating on the date of termination hereof. Notwithstanding the previous sentence, the loan provided by Dynamite to Avion continues in full force and effect under the terms established in the agreement of October 8, 2008.

Section 4.4 Indemnification and Insurance

- (a) Avion further covenants and agrees that all rights to indemnification or exculpation in favour of current and former directors and officers of Dynamite and the Dynamite Subsidiaries shall be honoured by Avion and Avion will, or will cause Dynamite and the Dynamite Subsidiaries to, maintain in effect without any reduction in scope or coverage for six years from the Effective Time customary policies of directors' and officers' liability insurance providing protection comparable to the protection provided by the policies maintained by Dynamite and the Dynamite

Subsidiaries which are in effect on the date hereof and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Time; provided, however, that prior to the Effective Time Dynamite may, in the alternative, purchase run-off directors' and officers' liability insurance for a period of up to six years from the Effective Time.

- (b) Dynamite shall act as agent and trustee of the benefits of the foregoing for its directors and officers and those of the Dynamite Subsidiaries for the purpose of this Section 4.4 and this Section 4.4 shall survive the execution and delivery of this Agreement and the completion of the Arrangement and shall be enforceable against Avion by the Persons described in Section 4.4(a) hereof.

Section 4.5 Privacy Matters

- (a) Avion and Dynamite acknowledge and agree that certain information provided by Dynamite to Avion and by Avion to Dynamite in connection with the transactions contemplated hereunder constitutes Personal Information which is necessary for the purposes of determining if Avion or Dynamite, as the case may be, shall proceed with the Arrangement, that the disclosure of the Personal Information relates solely to the carrying on of the business, or the completion of the Arrangement and that such Personal Information:
 - (i) may not be used for any purpose other than those related to the performance of this Agreement;
 - (ii) must be kept strictly confidential and each of Avion and Dynamite shall ensure that access to such Personal Information shall be restricted to those representatives of Avion and Dynamite, as the case may be, who have a *bona fide* need to access such information and shall instruct those representatives to protect the confidentiality of such information in a manner consistent with Avion's obligations hereunder and Dynamite's obligations hereunder;
 - (iii) upon the expiry or termination of this Agreement, or otherwise upon the request of Dynamite, Avion shall forthwith cease all use of the Personal Information acquired by Avion from Dynamite in connection with this Agreement and will return to Dynamite or, at Dynamite's request, destroy in a secure manner such Personal Information (and any copies); and
 - (iv) upon the expiry or termination of this Agreement, or otherwise upon the request of Avion, Dynamite shall forthwith cease all use of the Personal Information acquired by Dynamite from Avion in connection with this Agreement and will return to Avion or, at Avion's request, destroy in a secure manner such Personal Information (and any copies).
- (b) Without limiting the foregoing, each of Dynamite and Avion acknowledges and agrees that the Dynamite Disclosure Letter and the Avion Disclosure Letter and all information contained in them is confidential and may not be disclosed to any other Person unless (i) such disclosure is required under applicable Law, unless such Law permits it to refrain from disclosing such information for confidentiality or other reasons or (ii) such disclosure is required in order to enforce its rights under this Agreement.

ARTICLE FIVE CONDITIONS

Section 5.1 Mutual Conditions

The respective obligations of the Parties to complete the Transaction are subject to the fulfillment of the following conditions at or before the Effective Time or such other time as is specified below:

- (a) the Interim Order, as described in Section 2.6, shall have been granted in form and substance satisfactory to the Parties, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to the Parties, acting reasonably, on appeal or otherwise;
- (b) the Dynamite Shareholder Approval shall have been obtained at the Dynamite Meeting;
- (c) the Final Order, as described in Section 2.4, shall have been granted in form and substance satisfactory to the Parties, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to the Parties, acting reasonably, on appeal or otherwise;
- (d) the Effective Time shall occur on or before the Completion Deadline;
- (e) there shall not be in force any Law, ruling, order or decree, and there shall not have been any action taken under any Law or by any Governmental Entity or other regulatory authority that makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the consummation of the Arrangement in accordance with the terms hereof or results or could reasonably be expected to result in a judgment, order, decree or assessment of damages, directly or indirectly, relating to the Arrangement that has a Material Adverse Effect on Dynamite or Avion;
- (f) (i) all consents, waivers, permits, exemptions, orders and approvals of, and any registrations and filings with, any Governmental Entity and the expiry, waiver or termination of any waiting periods, in connection with, or required to permit, the completion of the Arrangement, and (ii) all third Person and other consents, waivers, permits, exemptions, orders, approvals, agreements and amendments and modifications to agreements, indentures or arrangements, shall have been obtained or received on terms that are reasonably satisfactory to each of Dynamite and Avion, except where the failure to obtain such consents, waivers, permits, exemptions, orders or approvals, agreements, amendments or modifications or the non-expiry of such waiting periods would not, either individually or in the aggregate, have a Material Adverse Effect on Avion or Dynamite or materially impede the completion of the Arrangement;
- (g) All actions shall have been taken so that upon the occurrence of the Effective Time, the board of directors of Avion shall be comprised of four nominees of Avion and two nominees of Dynamite as agreed by the Parties prior to the Effective Time;
- (h) the distribution of the securities pursuant to the Transaction shall be exempt from the prospectus and registration requirements of applicable Canadian securities laws either by virtue of exemptive relief from the securities regulatory authorities of each of the provinces of Canada or by virtue of applicable exemptions under Canadian securities laws and shall not be subject to resale restrictions under applicable Canadian securities laws (other than as applicable to control persons or pursuant to Section 2.6 of National Instrument 45-102);
- (i) the Exchange shall have:

- (i) conditionally approved the listing thereon of the Avion Common Shares to be issued pursuant to the Arrangement as of the Effective Date, including, but not limited to all Avion Common Shares issuable upon the exercise of the Dynamite Options and the Dynamite Warrants; and
- (ii) if required, accepted notice for filing of all transactions of Dynamite contemplated herein or necessary to complete the Arrangement,

in each case, subject only to compliance with the usual requirements of the Exchange;

- (j) the issuance of securities of Avion to the holders of Dynamite Common Shares and Dynamite Options and Dynamite Warrants as contemplated by the Transaction shall be exempt from the registration requirements of the *U.S. Securities Act* pursuant to Section 3(a)(10) thereof (or pursuant to any other applicable exemption), and shall be in compliance with the requirements of applicable U.S. state securities laws relating to the registration or qualification of such securities; and
- (k) there shall not be pending or threatened any suit, action or proceeding by any Governmental Entity or other Person, in each case that has a reasonable likelihood of success: (i) seeking to prohibit or restrict the acquisition by Avion or any of the Avion Subsidiaries of any Dynamite Common Shares, seeking to restrain or prohibit the consummation of the Plan of Arrangement or seeking to obtain from Avion or Dynamite any damages that are material in relation to Dynamite and the Dynamite Subsidiaries taken as a whole; (ii) seeking to prohibit or materially limit the ownership or operation by Avion or any of the Avion Subsidiaries of any material portion of the business or assets of Dynamite or any of the Dynamite Subsidiaries or to compel Avion or any of the Avion Subsidiaries to dispose of or hold separate any material portion of the business or assets of Dynamite or any of the Dynamite Subsidiaries as a result of the Plan of Arrangement; (iii) seeking to impose limitations on the ability of Avion or any of the Avion Subsidiaries to acquire or hold, or exercise full rights of ownership of, any Dynamite Common Shares, including the right to vote the Dynamite Common Shares purchased by it on all matters properly presented to the Dynamite Shareholders; (iv) seeking to prohibit Avion or any of the Avion Subsidiaries from effectively controlling in any material respect the business or operations of Dynamite and the Dynamite Subsidiaries; or (v) which otherwise is reasonably likely to have a Material Adverse Effect on Dynamite or Avion.

The foregoing conditions are for the mutual benefit of the Parties and may be waived in respect of a Party, in whole or in part by such Party in writing at any time. If any of such conditions shall not be complied with or waived as aforesaid on or before the Completion Deadline or, if earlier, the date required for the satisfaction thereof, then, subject to Section 5.4 hereof, either Party may terminate this Agreement by written notice to the other Party in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by such rescinding Party.

Section 5.2 Conditions Precedent to the Obligations of Dynamite

The obligation of Dynamite to complete the Transaction is subject to the fulfillment of the following additional conditions at or before the Effective Date or such other time as is specified below:

- (a) the representations and warranties made by Avion in this Agreement shall be true and correct as of the Effective Date as if made on and as of such date (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date), except where any failures or breaches

of representations and warranties would not either individually or in the aggregate, in the reasonable judgment of Dynamite, have a Material Adverse Effect on Avion, and Avion shall have provided to Dynamite a certificate of two officers thereof certifying such accuracy or lack of Material Adverse Effect on the Effective Date;

- (b) Avion shall have complied in all material respects with its covenants herein and Avion shall have provided to Dynamite a certificate of two officers thereof, certifying that, as of the Effective Date, they have so complied with their covenants herein;
- (c) from the date of this Agreement to the Effective Date, there shall not have occurred, and neither Avion nor any Avion Subsidiary shall have incurred or suffered, any one or more changes, effects, events, occurrences or state of facts that, either individually or in the aggregate, has, a Material Adverse Effect on Avion;
- (d) the directors of Avion shall have adopted all necessary resolutions and all other necessary corporate action shall have been taken by Avion to permit the consummation of the Arrangement;
- (e) the Avion Common Shares to be issued pursuant to the Arrangement shall have been deposited with the Depositary together with an irrevocable direction executed by Avion authorizing and directing the Depositary to deliver Avion Common Shares pursuant to the Arrangement to the Dynamite Shareholders who are entitled to receive such Avion Common Shares in accordance with the Arrangement;
- (f) There shall have been no material change in the existing employment arrangements of any senior employee of Avion or the Avion Subsidiaries from February 8, 2009 to the Effective Time; and
- (g) Avion shall have delivered to Dynamite evidence of title in a form and substance acceptable to Dynamite, acting reasonably, in respect of the Tabakoto and Segala properties.

The foregoing conditions are for the benefit of Dynamite and may be waived, in whole or in part, by Dynamite in writing at any time. If any of such conditions shall not be complied with or waived by Dynamite on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then, subject to Section 5.4 hereof, Dynamite may terminate this Agreement by written notice to Avion in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by Dynamite.

Section 5.3 Conditions Precedent to the obligations of Avion

The obligation of Avion to complete the Transaction is subject to the fulfillment of the following additional conditions at or before the Effective Date or such other time as is specified below:

- (a) the representations and warranties made by Dynamite in this Agreement shall be true and correct as of the Effective Date as if made on and as of such date (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date), except where any failures or breaches of representations and warranties would not either, individually or in the aggregate, in the reasonable judgment of Avion, have a Material Adverse Effect on Dynamite, and Dynamite shall have provided to Avion, a certificate of two officers thereof certifying such accuracy or lack of Material Adverse Effect on the Effective Date;

- (b) Dynamite shall have complied in all material respects with its covenants herein and Dynamite shall have provided to Avion, a certificate of two officers thereof certifying that, as of the Effective Date, Dynamite has so complied with its covenants herein;
- (c) if any Dynamite Shareholders have exercised their Dissent Rights, Dynamite Shareholders holding no more than 5% of the outstanding Dynamite Common Shares shall have exercised their Dissent Rights (and not withdrawn such exercise) and Avion shall have received a certificate dated the day immediately preceding the Effective Date of two officers of Dynamite to such effect;
- (d) the board of directors of Dynamite shall not have modified or amended, in a manner adverse to Avion, prior to the Dynamite Meeting, its recommendation that Dynamite Shareholders vote in favour of the Dynamite Resolutions;
- (e) from the date of this Agreement to the Effective Date, there shall not have occurred, and neither Dynamite nor any Dynamite Subsidiary shall have incurred or suffered, any one or more changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, a Material Adverse Effect on Dynamite;
- (f) the directors of Dynamite and the Dynamite Subsidiaries shall have adopted all necessary resolutions and all other necessary corporate action shall have been taken by Dynamite and the Dynamite Subsidiaries to permit the consummation of the Arrangement;
- (g) Without limiting the generality of the foregoing Dynamite shall have delivered to Avion a comprehensive balance sheet evidencing no less than CAD \$11,000,000 in cash or other consideration acceptable to Avion net of any liabilities as at the close of business on the Business Day before the Effective Date, including but not limited to any severance payments to be made by Dynamite and any costs incurred in relation to the Transaction, including, without limitation, legal, financial or otherwise, and any other evidence requested by Avion, acting reasonably. In the event that Dynamite delivers a comprehensive balance sheet evidencing between CAD \$10,999,999 and CAD \$9,000,000 in cash or other consideration, net of any liabilities upon the Effective Date, including but not limited to, any severance payments to be made by Dynamite and any costs incurred in relation to the Transaction, including without limitation, legal, financial or otherwise, the Exchange Ratio shall be adjusted on a pro rata basis. In the case that Dynamite has less than C\$11,000,000 of cash in its treasury net of all liabilities (“**Net Cash Deficit**”) the Exchange Ratio shall be adjusted down by 0.05 Avion common shares for each Dynamite share per C\$1,000,000 in Net Cash Deficit, adjusted on a pro rata basis.
- (h) Except as provided herein, there shall have been no material change in the existing employment arrangements of any senior employee of the Dynamite Group or the Dynamite Subsidiaries from February 8, 2009 to the Effective Date; and
- (i) Avion shall be satisfied, acting reasonably that the terms of the Sale Transaction and the exchange of Common Shares with Acquisition Company Securities to Dynamite Shareholders will not be materially adverse to Dynamite or in breach of any applicable laws.

The foregoing conditions are for the benefit of Avion and may be waived, in whole or in part, by Avion in writing at any time. If any of such conditions shall not be complied with or waived by Avion on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then, subject to Section 5.4 hereof, Avion may terminate this Agreement by written notice to Dynamite in

circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by Avion.

Section 5.4 Notice and Cure Provisions

Each Party shall give prompt notice to the other Party of the occurrence, or failure to occur, at any time from the date hereof until the Effective Date, of any event or state of facts which occurrence or failure would, would be likely to or could reasonably be expected to:

- (a) cause any of the representations or warranties of such Party contained herein to be untrue or inaccurate in any respect on the date hereof or on the Effective Date;
- (b) result in the failure to comply with or satisfy any covenant or agreement to be complied with or satisfied by such Party prior to the Effective Date; or
- (c) result in the failure to satisfy any of the conditions precedent in favour of the other Party contained in Sections 5.1, 5.2 or 5.3 hereof, as the case may be.

Subject as herein provided, a Party may (a) elect not to complete the Transaction by virtue of the conditions contained in Sections 5.1, 5.2 or 5.3 hereof not being satisfied or waived or (b) exercise any termination right arising therefrom; provided, however, that (i) promptly and in any event prior to the filing of the Plan of Arrangement with the Director, the Party intending to rely thereon has delivered a written notice to the other Party specifying in reasonable detail the breaches of covenants or untruthfulness or inaccuracy of representations and warranties or other matters that the Party delivering such notice is asserting as the basis for the exercise of the termination right, as the case may be, and (ii) if any such notice is delivered, and a Party is proceeding diligently, at its own expense, to cure such matter, if such matter is susceptible of being cured, the Party that has delivered such notice may not terminate this Agreement until the earlier of the Completion Deadline and the expiration of a period of 10 days from the date of delivery of such notice. If such notice has been delivered prior to the date of the Dynamite Meeting, the Dynamite Meeting shall be adjourned or postponed until the expiry of such period.

Section 5.5 Merger of Conditions

Upon the filing of the Final Order with the Director, the conditions set out in Sections 5.1, 5.2 or 5.3 hereof shall be conclusively deemed to have been satisfied, fulfilled or waived as of the Effective Time. Dynamite acknowledges and agrees that it shall have no right to file and shall not file the Final Order and other required documents with the Director unless such conditions have been satisfied, fulfilled or waived.

ARTICLE SIX NON-SOLICITATION AND TERMINATION FEE

Section 6.1 Covenant Regarding Non-Solicitation

Dynamite shall, and shall direct and cause its officers, directors, employees, representatives, advisors and agents and the Dynamite Subsidiaries and their representatives, advisors, agents, officers, directors and employees to immediately cease and cause to be terminated any solicitation, encouragement, activity, discussion or negotiation with any parties that may be ongoing with respect to an Acquisition Proposal whether or not initiated by Dynamite. Dynamite shall request the return of information regarding Dynamite and its subsidiaries previously provided to such parties and shall request the destruction of all materials including or incorporating any confidential information regarding

Dynamite and its subsidiaries. Dynamite agrees not to release any third party from any confidentiality agreement relating to a potential Acquisition Proposal to which such third party is a party. Dynamite further agrees not to release any third party from any standstill or similar agreement or obligation to which such third party is a party or by which such third party is bound (it being understood and agreed that the automatic termination of a standstill provision due to the announcement of the Transaction or the entry into this Agreement shall not be a violation of this Section 6.1).

Section 6.2 Covenant Regarding Acquisition Proposal

Subject to Section 6.3 or unless permitted pursuant to this Section 6.2, Dynamite agrees that it shall not, and shall not authorize or permit any of its officers, directors, employees, representatives, advisors or agents or the Dynamite Subsidiaries, directly or indirectly, to:

- (a) make, solicit, initiate, entertain, encourage, promote or facilitate, including by way of furnishing information, permitting any visit to its facilities or properties or entering into any form of agreement, arrangement or understanding, any inquiries or the making of any proposals regarding an Acquisition Proposal or that may reasonably be expected to lead to an Acquisition Proposal;
- (b) participate, directly or indirectly, in any discussions or negotiations regarding, or furnish to any Person any information or otherwise co-operate with, respond to, assist or participate in any Acquisition Proposal or potential Acquisition Proposal;
- (c) remain neutral with respect to, or agree to, approve or recommend any Acquisition Proposal or potential Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to an Acquisition Proposal until two business days following formal announcement of such Acquisition Proposal shall not be considered to be a violation of this Section 6.2(c));
- (d) withdraw, modify, qualify or change in a manner adverse to Avion, or publicly propose to or publicly state that it intends to withdraw, modify, qualify or change in a manner adverse to Avion the approval, recommendation or declaration of advisability of its board of directors of the Transaction (a “**Change in Recommendation**”) (it being understood that failing to affirm the approval or recommendation of its board of directors of the Transaction within two business days after an Acquisition Proposal relating to such Party has been publicly announced and, in circumstances where no Acquisition Proposal has been made, within two business days of being requested to do so by Avion, shall be considered an adverse modification);
- (e) enter into any agreement, arrangement or understanding related to any Acquisition Proposal or requiring it to abandon, terminate or fail to consummate the Transaction or providing for the payment of any break, termination or other fees or expenses to any Person in the event that the Transaction is completed or any other transaction agreed to prior to any termination of this Agreement; or
- (f) make any public announcement or take any other action inconsistent with the recommendation of its board of directors to approve the Transaction.

Notwithstanding the foregoing and any other provisions of this Agreement:

- (i) The board of directors of Dynamite may consider, participate in any discussions or negotiations with and provide information to, any person who has delivered a written Acquisition Proposal which was not solicited or encouraged by Dynamite after the date of this Agreement and did not otherwise result from a breach of this

Section 6.2, by Dynamite, and that its board of directors determines in good faith, after consultation with its financial advisor and outside legal counsel may reasonably be expected to constitute a Superior Proposal provided, however, that prior to taking any such action the Board of Directors of Dynamite determines in good faith, after consultation with outside counsel that it is necessary to take such action in order to discharge properly its fiduciary duties, and if Dynamite provides confidential non-public information to such Person, Dynamite obtains a confidentiality and standstill agreement from the Person making such Acquisition Proposal that is substantively the same as the Confidentiality Agreement between the Parties hereto, and otherwise on terms no more favourable to such Person than such confidentiality agreement, including a standstill provision at least as stringent as contained in such Confidentiality Agreement; provided, however, that it shall not preclude such person from making a Superior Proposal. If Dynamite receives a request for material non-public information from a Person who proposes to make an Acquisition Proposal and the board of directors of Dynamite determines in good faith that such Acquisition Proposal, if made, could reasonably be expected to lead to a Superior Proposal and provided that Dynamite obtains a confidentiality agreement from the Person making such Acquisition Proposal that is substantially the same as the Confidentiality Agreement between the Parties hereto, and otherwise on terms no more favourable to such Person than such Confidentiality Agreement, including a standstill provision at least as stringent as contained in such Confidentiality Agreement provided, however, that it shall not preclude such person from making a Superior Proposal; Dynamite shall be permitted to provide such Person with access to information regarding Dynamite; provided that Dynamite sends a copy of any such confidentiality agreement to Avion promptly upon its execution and Avion is provided with a list of the information provided to such Person and is immediately provided with access to similar information to which such Person was provided.

- (ii) Nothing contained in this Section 6.2 or elsewhere in this Agreement shall prohibit the board of directors of Dynamite from making any disclosure to the Dynamite Shareholders if, in the good faith judgment of the board of directors, after consultation with outside counsel, such action is necessary for the board of directors to act in a manner consistent with its fiduciary duties or is otherwise required under applicable Laws.
- (iii) Nothing contained in this Section 6.2 shall prohibit the board of directors of Dynamite from distributing a circular in compliance with applicable Canadian and U.S. securities laws, as applicable, in response to a take-over bid, provided however that the board of directors of Dynamite shall not, except as permitted by Section 6.2 or 6.3, withdraw or modify, or propose to withdraw or modify, its recommendation with respect to the Transaction or remain neutral, approve or recommend an Acquisition Proposal.

From and after the date of this Agreement, Dynamite shall promptly (and in any event within 24 hours) notify Avion, at first orally and then in writing, of any proposals, offers or written inquiries relating to or constituting an Acquisition Proposal, or any request for non-public information relating to Dynamite or the Dynamite Subsidiaries. Such notice shall include a copy of any proposal, inquiry or offer, the identity of the person making such proposal, inquiry or offer and provide such other details of

the proposal, inquiry or offer as Avion may reasonably request. Dynamite shall keep Avion fully informed on a prompt basis of the status, including any change to the material terms, of any such inquiry, proposal or offer.

Dynamite shall ensure that its officers, directors and employees and the Dynamite Subsidiaries and their officers, directors, employees and any financial advisors or other advisors or representatives retained by it are aware of the provisions of this Section 6.2, and it shall be responsible for any breach of this Section 6.2 resulting from the actions of any such officers, directors, financial advisors or other advisors or representatives.

Section 6.3 Right to Accept a Superior Proposal

- (a) If Dynamite has complied with Section 6.1 and Section 6.2 with respect thereto, Dynamite may accept, approve, recommend or enter into any agreement, understanding or arrangement in respect of a Superior Proposal (other than a confidentiality agreement, the execution of which shall not be subject to the conditions of this Section 6.3) received prior to the date of approval of the Transaction by the Dynamite Shareholders and terminate this Agreement if, and only if: (i) Dynamite has provided Avion with a copy of the Superior Proposal document; (ii) Dynamite has provided Avion with the information regarding such Superior Proposal required under Section 6.2; (iii) the board of directors of Dynamite has determined in good faith after consultation with outside legal counsel and its financial advisors that it is necessary in order for the board of directors to discharge properly its fiduciary duties to withdraw or modify its approval or recommendation of this Agreement and to approve or recommend such Superior Proposal; and (iv) four business days shall have elapsed from the later of the date Avion received written notice (a “**Superior Proposal Notice**”) advising Avion that Dynamite’s board of directors has resolved to accept, approve, recommend or enter into an agreement in respect of such Superior Proposal subject only to this Section 6.3, and the date Avion received a copy of such Superior Proposal document. In the event that Dynamite provides Avion with a Superior Proposal Notice on a date that is less than seven business days prior to the Dynamite Meeting, Dynamite shall, at the request of Avion, adjourn such meeting to a date that is not less than five business days and not more than 15 days after the date of the Superior Proposal Notice. If the Proxy Circular has been sent to the Dynamite Shareholders prior to the expiry of the four business day period set forth in this Section 6.3(a) and, during such period, Avion requests in writing that the Dynamite Meeting proceed, unless otherwise ordered by a court, Dynamite shall continue to take all reasonable steps necessary to hold the Dynamite Meeting and to cause the Transaction to be voted on at such meeting.
- (b) During the four business day period referred to in Section 6.3(a)(iv), Dynamite agrees that Avion shall have the right, but not the obligation, to offer in writing to amend the terms of this Agreement, which offer must be received by Dynamite prior to 5:00 p.m. (Toronto time) on the fourth business day of such period in order for such offer to comply with the requirements of this Section 6.3(b). The board of directors of Dynamite will review any written proposal by Avion to amend the terms of this Agreement in good faith in order to determine, in its discretion in the exercise of its fiduciary duties, whether the amended proposal would, upon acceptance by Dynamite be at least equivalent to the Superior Proposal. If the board of directors of Dynamite so determines, it will cause Dynamite to enter into an amended agreement with Avion reflecting the amended proposal. If the board of directors of Dynamite does not so determine, Dynamite may accept, approve, recommend or enter into an agreement, understanding or arrangement in respect of such Superior Proposal, subject to compliance with Section 6.4.

- (c) Each Party also acknowledges and agrees that each successive material modification of any Acquisition Proposal shall constitute a new Acquisition Proposal for the purposes of the requirement under clause (iv) of Section 6.3(a) and will initiate an additional four business day notice period.

Section 6.4 Termination Payment

In the event that:

- (a) Dynamite enters into an agreement to effect an Acquisition Proposal that is a Superior Proposal in accordance with Section 6.3;
- (b) Dynamite makes a Change of Recommendation in respect of the Transaction; or
- (c) this Agreement is terminated by Avion pursuant to the provisions of Section 7.2(b);

then Dynamite shall pay to Avion an aggregate amount in cash equal to \$650,000 (the “**Termination Payment**”) in immediately available funds.

Dynamite acknowledges that the Termination Payment is a payment of liquidated damages which is a genuine pre-estimate of the damages which Avion will suffer or incur as a result of the event giving rise to such damages and the resultant non-completion of the Transaction and is not a penalty. Avion hereby irrevocably waives any right it may have to raise as a defence that any provisions of this Article 6 and any such liquidated damages are excessive, punitive or unenforceable. Upon receipt by Avion of the Termination Payment, Avion shall have no further claim against Dynamite in respect of the failure to complete the Transaction, provided that nothing herein shall preclude Avion from seeking injunctive relief to restrain any breach or threatened breach by Dynamite of any of its obligations hereunder or otherwise to obtain specific performance without the necessity of posting bond or security in connection therewith provided that it is understood and agreed that in no instance shall Avion be entitled to both the Termination Payment and specific performance.

In addition to the foregoing, if this Agreement is terminated pursuant to Section 7.2(e) hereof due to the failure by the Dynamite Shareholders to approve the Transaction at the Dynamite Meeting, and prior to such Dynamite Meeting, a *bona fide* Acquisition Proposal, or the intention to enter a *bona fide* Acquisition Proposal with respect to Dynamite, has been publicly announced and not withdrawn and within six months of the date of such termination:

- (a) the Person who made such Acquisition Proposal or an affiliate of such Person:
 - (i) directly or indirectly acquires Dynamite by takeover bid, arrangement, business combination or otherwise;
 - (ii) directly or indirectly acquires the assets of Dynamite or the Dynamite Subsidiaries that: (1) constitute more than 50% of the consolidated assets of Dynamite; (2) generate more than 50% of the consolidated revenue of Dynamite; or (3) generate more than 50% of the consolidated operating income of Dynamite; or
 - (iii) directly or indirectly acquires more than 50% of the voting or equity securities of Dynamite; or

- (b) Dynamite and/or the Dynamite Subsidiaries enters into a definitive agreement in respect of or Dynamite's board of directors approves or recommends a transaction contemplated by (a) above with the Person or such affiliate that made such Acquisition Proposal and that transaction is consummated at any time thereafter;

then Dynamite shall pay to Avion the Termination Payment.

ARTICLE SEVEN AMENDMENT AND TERMINATION

Section 7.1 Amendment

This Agreement may, at any time and from time to time before or after the holding of the Dynamite Meeting be amended by mutual written agreement of the Parties without, subject to applicable Law, further notice to or authorization on the part of the Dynamite Shareholders and any such amendment may, without limitation:

- (a) change the time for the performance of any of the obligations or acts of either of the Parties;
- (b) waive any inaccuracies in or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify the performance of any of the obligations of either of the Parties; and
- (d) waive compliance with or modify any condition herein contained.

This Agreement and the Plan of Arrangement may be amended in accordance with the Final Order, but in the event that the terms of the Final Order require any such amendment, the rights of the Parties under Sections 5.1, 5.2, 5.3 or 6.4 hereof shall remain unaffected.

Section 7.2 Termination

Subject to Section 6.4, if applicable, this Agreement may be terminated at any time prior to the Effective Date:

- (a) by mutual written agreement between Avion and Dynamite;
- (b) by Avion if: (i) the board of directors of Dynamite shall have withdrawn or modified in a manner adverse to Avion its approval or recommendation of the Transaction (in accordance with Section 6.2 or Section 6.3); (ii) the directors of Dynamite shall have recommended an Acquisition Proposal; or (iii) Dynamite shall have entered into a definitive agreement with respect to a Superior Proposal;
- (c) by Avion in the event that Dynamite delivers a comprehensive balance sheet evidencing less than \$9,000,000 in cash, net of any liabilities upon the Effective Date, in which case Dynamite shall be liable to Avion for its expenses related to the Transaction, up to but not exceeding, \$200,000;
- (d) by Dynamite in order to enter into a written agreement with respect to a Superior Proposal, subject to compliance with Section 6.3 and the payment of the Termination Payment required to be paid pursuant to Section 6.4; provided for greater certainty, that any such termination shall terminate this Agreement for both parties;

- (e) by Avion or Dynamite if the required approval of the Dynamite Shareholders shall not have been obtained at the Dynamite Meeting; or
- (f) by either Party, in accordance with Article 5, if any condition precedent to its obligations has not been satisfied by the Completion Deadline or where it is clear that the condition cannot be satisfied prior to the Completion Deadline it being understood that nothing in this Section 7.2(f) shall affect the rights of Avion under Section 7.2(c).

provided that any termination by a Party in accordance with paragraphs (b) to (h) above shall be made by such Party delivering written notice thereof to the other Party prior to the Effective Date and specifying therein in reasonable detail the matter or matters giving rise to such termination right. In the event of any such termination each Party will be released, remised and forever discharged in respect of any and all of its obligations, claims and liabilities arising in respect of this Agreement, except for the obligations of each Party in Sections 3.3, 6.4 and Article Eight, all of which will survive the termination of this Agreement.

ARTICLE EIGHT GENERAL

Section 8.1 Notices

Any notice, consent, waiver, direction or other communication required or permitted to be given under this Agreement by a Party shall be in writing and shall be delivered by hand to the Party to which the notice is to be given at the following address or sent by facsimile to the following numbers or to such other address or facsimile number as shall be specified by a Party by like notice. Any notice, consent, waiver, direction or other communication aforesaid shall, if delivered, be deemed to have been given and received on the date on which it was delivered to the address provided herein (if a Business Day or, if not, then the next succeeding Business Day) and if sent by facsimile be deemed to have been given and received at the time of receipt (if a Business Day or, if not, then the next succeeding Business Day) unless actually received after 4:00 p.m. (Toronto time) at the point of delivery in which case it shall be deemed to have been given and received on the next Business Day.

The address for service of each of the Parties shall be as follows:

- (a) if to Avion:

AVION RESOURCES CORP.
65 Queen Street West Suite 815
Toronto, Ontario M5H 2M4
Attention: John Begeman
Facsimile: (416) 363-8223

with a copy (which shall not constitute notice) to:

Fraser Milner Casgrain LLP
Suite 3900
1 First Canadian Place
100 King Street West
Toronto, ON M5X 1B2
Attention: Michael Melanson
Facsimile: (416) 863-4592

(b) if to Dynamite:

DYNAMITE RESOURCES LTD.
65 Queen Street West Suite 815
Toronto, Ontario M5H 2M4
Attention: David Argyle
Facsimile: (416) 861-8165

with a copy (which shall not constitute notice) to:

Cassels Brock & Blackwell LLP
2100 Scotia Plaza, 40 King Street West
Toronto, ON M5H 3C2
Attention: John Vettese
Facsimile: (416) 350-6930

Section 8.2 Remedies

The Parties acknowledge and agree that an award of money damages may be inadequate for any breach of this Agreement by either Party or its representatives and advisors and that such breach may cause the non-breaching Party irreparable harm. Accordingly, the Parties agree that, in the event of any such breach or threatened breach of this Agreement by one of the Parties, Dynamite (if Avion is the breaching Party) or Avion (if Dynamite is the breaching Party) will be entitled, without the requirement of posting a bond or other security, to seek equitable relief, including injunctive relief and specific performance. Subject to any other provision hereof including, without limitation, Section 6.4 hereof, such remedies will not be the exclusive remedies for any breach of this Agreement but will be in addition to all other remedies available hereunder or at law or in equity to each of the Parties.

Section 8.3 Expenses

With the exception of the potential expenses payment of \$200,000 provided for in Section 7.2(c), the Parties agree that all out-of-pocket expenses incurred in connection with this Agreement and the Transaction, the Dynamite Meeting, and the preparation and mailing of the Proxy Circular, including legal and accounting fees, printing costs, financial advisor fees and all disbursements by advisors, shall be paid by the Party incurring such expense and that nothing in this Agreement shall be construed so as to prevent the payment of such expenses.

Section 8.4 Time of the Essence

Time shall be of the essence in this Agreement.

Section 8.5 Entire Agreement

This Agreement, together with the agreements and other documents herein or therein referred to, constitute the entire agreement between the Parties pertaining to the subject matter hereof and supersede all prior agreements (including without limitation the letter agreement between Avion and Dynamite dated February 8, 2009 (the "**Letter Agreement**"), understandings, negotiations and discussions, whether oral or written, between the parties hereto with respect to the Transaction. There are no representations, warranties, covenants or conditions with respect to the Transaction except as contained herein.

Section 8.6 Further Assurances

Each Party shall, from time to time, and at all times hereafter, at the request of the other of them, but without further consideration, do, or cause to be done, all such other acts and execute and deliver, or cause to be executed and delivered, all such further agreements, transfers, assurances, instruments or documents as shall be reasonably required in order to fully perform and carry out the terms and intent hereof including, without limitation, the Plan of Arrangement.

Section 8.7 Governing Law

This Agreement shall be governed by, and be construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein but the reference to such laws shall not, by conflict of laws rules or otherwise, require the application of the law of any jurisdiction other than the Province of Ontario. Each of the Parties irrevocably attorns to the exclusive jurisdiction of the Province of Ontario.

Section 8.8 Execution in Counterparts

This Agreement may be executed in one or more counterparts, each of which shall conclusively be deemed to be an original and all such counterparts collectively shall be conclusively deemed to be one and the same. Delivery of an executed counterpart of the signature page to this Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement, and either Party delivering an executed counterpart of the signature page to this Agreement by facsimile to the other Party shall thereafter also promptly deliver a manually executed original counterpart of this Agreement to such other Party, but the failure to deliver such manually executed original counterpart shall not affect the validity, enforceability or binding effect of this Agreement.

Section 8.9 Waiver

No waiver or release by a Party shall be effective unless in writing and executed by the Party granting such waiver or release and any waiver or release shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence. Waivers may only be granted upon compliance with the provisions governing amendments set forth in Section 7.1 hereof.

Section 8.10 Enurement and Assignment

This Agreement shall enure to the benefit of the Parties and their respective successors and permitted assigns and shall be binding upon the Parties and their respective successors. This Agreement may not be assigned by any Party without the prior written consent of each of the other Parties.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

AVION RESOURCES CORP.

Per: (Signed) "John Begeman"

Name: John Begeman

Title: President and C.E.O.

DYNAMITE RESOURCES LTD.

Per: (Signed) "David Argyle"

Name: David Argyle

Title: President and C.E.O.

SCHEDULE A - PLAN OF ARRANGEMENT

**PLAN OF ARRANGEMENT
UNDER SECTION 192 OF *THE CANADA
BUSINESS CORPORATIONS ACT***

**ARTICLE 9
DEFINITIONS AND INTERPRETATION**

Section 9.1 Definitions

In this Plan of Arrangement, unless the context otherwise requires, the following words and terms with the initial letter or letters thereof capitalized shall have the meanings ascribed to them below:

- (a) “**Acquisition Company**” means, if applicable, such entity that acquired directly or indirectly from Dynamite, all of the shares and inter-company debt or assets of Tau Mining Limited and 727189 BC Ltd. in exchange for Acquisition Company Securities;
- (b) “**Acquisition Company Securities**” means, if applicable, any common shares and/or warrants of Acquisition Company held by Dynamite immediately before the Effective Time;

- (c) **“Adjustment Provision”** means the provision in the Arrangement Agreement pursuant to which the number of Avion Common Shares to be issued in connection with the Arrangement shall be adjusted down by 0.05 Avion common shares for each Dynamite share per C\$1,000,000 in Net Cash Deficit, adjusted on a pro rata basis, in the event that Dynamite delivers a comprehensive balance sheet net of any liabilities as at the close of business on the Business Day before the Effective Date between \$10,999,999 and \$9,000,000;
- (d) **“Affiliate”** has the meaning ascribed to such term under the CBCA;
- (e) **“Arrangement”** means the arrangement under the provisions of Section 192 of the CBCA on the terms and subject to the conditions set forth in this Plan of Arrangement, subject to any amendment, modification or supplement hereto made from time to time in accordance with the Arrangement Agreement, the provisions hereof or at the direction of the Court in the Final Order;
- (f) **“Arrangement Agreement”** means the arrangement agreement made as of March 18, 2009 between Avion and Dynamite;
- (g) **“Arrangement Resolution”** means the special resolution of Shareholders to approve the Arrangement and the Arrangement Agreement;
- (h) **“Articles of Arrangement”** means the articles of arrangement of Dynamite in respect of the Arrangement, to be filed with the Director in compliance with the CBCA after the Final Order is made, which shall be in form and content satisfactory to Dynamite and Avion, each acting reasonably;
- (i) **“Avion”** means Avion Resources Corp., a company existing under the laws of British Columbia;
- (j) **“Avion Common Shares”** means common shares in the capital of Avion;
- (k) **“Business Day”** means any day other than a Saturday, a Sunday or a statutory holiday in Toronto;
- (l) **“CBCA”** means the *Canada Business Corporations Act*;
- (m) **“Certificate of Arrangement”** means the certificate of arrangement issued by the Director pursuant to subsection 192(7) of the CBCA in respect of the Articles of Arrangement;
- (n) **“Class A Shares”** means the Class A common shares for which the Common Shares will be exchanged as part of the Arrangement;
- (o) **“Common Shares”** means the common shares in the capital of Dynamite;
- (p) **“Court”** means the Ontario Superior Court of Justice (Commercial List);
- (q) **“Current Market Price”** at any date means the weighted average price per share at which such shares have traded on the TSX Venture Exchange during the last ten (10) trading days ending the fifth trading day before such date, and the weighted average price

shall be determined by dividing the aggregate sale price of all such shares traded on the TSX Venture Exchange during such ten (10) consecutive trading days by the aggregate number of shares sold;

- (r) **“Depository”** means Equity Transfer & Trust Company at its principal offices in Toronto;
- (s) **“Director”** means the Director appointed pursuant to section 260 of the CBCA;
- (t) **“Dissenting Holder”** means a registered holder of Common Shares who dissents in respect of the Arrangement in strict compliance with the Dissent Procedures and who is ultimately entitled to be paid fair value for their Common Shares;
- (u) **“Dissent Procedures”** means the procedures set forth in section 190 of the CBCA required to be taken by a registered holder of Common Shares to exercise the right of dissent in respect of such Common Shares in connection with the Arrangement, as modified by Article 3 hereof, the Interim Order and the Final Order;
- (v) **“Dynamite”** means Dynamite Resources Ltd., a corporation existing under the CBCA;
- (w) **“Effective Date”** means the date as shown on the Certificate of Arrangement giving effect to the Arrangement;
- (x) **“Effective Time”** means the time (Toronto time) on the Effective Date at which the Certificate of Arrangement is issued;
- (y) **“Final Order”** means the final order of the Court approving the Arrangement, as such order may be amended at any time prior to the Effective Time, pursuant to the CBCA or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;
- (z) **“Former Shareholders”** means the holders of Common Shares immediately prior to the Effective Time, excluding any Dissenting Holders and Avion and its Affiliates;
- (aa) **“Initial Adjustment”** has the meaning ascribed thereto in Section 2.6;
- (bb) **“In-the-Money Amount”** means, in respect of a stock option at any time, the amount, if any, by which the aggregate fair market value at that time of the securities subject to the option exceeds the aggregate exercise price under the option;
- (cc) **“Interim Order”** means the interim order of the Court, providing advice and directions in connection with the Meeting and the Arrangement, as such order may be amended;
- (dd) **“Meeting”** means the special meeting, including any adjournments or postponements thereof, of the Shareholders held to consider and approve, among other things, the Arrangement Resolution;
- (ee) **“Meeting Date”** means the date of the Meeting;

- (ff) “**Net Cash Deficit**” means, in the case that Dynamite has less than C\$11,000,000 of cash in its treasury net of all liabilities, difference between C\$11,000,000 and the amount of cash in Dynamite’s treasury net of all liabilities.
- (gg) “**Optionholders**” means all the holders of Options;
- (hh) “**Options**” means options issued pursuant to the Stock Option Plan and Tau Options which are outstanding immediately prior to the Effective Date;
- (ii) “**Plan of Arrangement**” means this plan of arrangement, as amended, modified or supplemented from time to time in accordance with the Arrangement Agreement, Section 13.1 hereof or in accordance with any order of the Court;
- (jj) “**Pro Rata Number of Acquisition Company Securities**” means the number of Acquisition Company Securities equal to the quotient of (A) the number of Acquisition Company Securities held by Dynamite on the Effective Date; divided by (B) the number of issued and outstanding Common Shares on the Effective Date;
- (kk) “**Proxy Circular**” means the management information circular of Dynamite prepared for the Meeting;
- (ll) “**Replacement Option**” has the meaning ascribed thereto in Section 10.3(g);
- (mm) “**Share Exchange Ratio**” has the meaning ascribed thereto in Section 10.3(e);
- (nn) “**Shareholders**” means the holders of Common Shares;
- (oo) “**Stock Option Plan**” means the stock option plan of Dynamite effective February 28, 2006 as such plan has been amended from time to time;
- (pp) “**Tau Options**” means the options which entitle the holder to receive one quarter of one Tau Mining Limited ordinary share with each such whole Tau Mining Limited ordinary share being automatically exchanged without any further action by the holder thereof, into one Common Share;
- (qq) “**Tax Act**” means the *Income Tax Act* (Canada);
- (rr) “**Warrantholders**” means the holders of Warrants;
- (ss) “**Warrants**” means the share purchase warrants of Dynamite that are outstanding as at the Effective Time, if any.

In addition, words and phrases used herein and defined in the CBCA and not otherwise defined herein have the same meaning herein as in the CBCA unless the context otherwise requires.

Section 9.2 Interpretation Not Affected by Headings

The division of this Plan of Arrangement into articles, sections, paragraphs and subparagraphs and the insertion of headings herein are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. The terms “this Plan of Arrangement”, “hereof”, “herein”, “hereto”, “hereunder” and similar expressions refer to this Plan of Arrangement and

not to any particular article, section or other portion hereof and include any instrument supplementary or ancillary hereto.

Section 9.3 Number, Gender and Persons

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular shall include the plural and vice versa, words importing the use of either gender shall include both genders and neuter and the word person and words importing persons shall include a natural person, firm, trust, partnership, association, corporation, joint venture or government (including any governmental agency, political subdivision or instrumentality thereof) and any other entity or group of persons of any kind or nature whatsoever.

Section 9.4 Date for any Action

If the date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

Section 9.5 Statutory References

Any reference in this Plan of Arrangement to a statute includes all regulations made thereunder, all amendments to such statute or regulation in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation.

Section 9.6 Currency

Unless otherwise stated, all references herein to amounts of money are expressed in lawful money of Canada.

Section 9.7 Time of Essence

Time shall be of the essence in every matter or action contemplated hereunder.

ARTICLE 10 ARRANGEMENT

Section 10.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to, is subject to the provisions of and forms part of the Arrangement Agreement.

Section 10.2 Binding Effect

This Plan of Arrangement will become effective at, and be binding at and after, the Effective Time on (i) Dynamite; (ii) Avion, (iii) all Shareholders; (iv) all Optionholders; and (v) all Warrantholders.

Section 10.3 Arrangement

On the Effective Date, the following events set out in this Section 2.3 shall occur and shall be deemed to occur consecutively in the order set out in this Section 2.3 without any further authorization, act or formality:

- (a) the authorized share structure of Dynamite will be amended by the creation of an unlimited number of Class A Shares and the articles of Dynamite shall be amended accordingly;
- (b) each issued and outstanding Common Share, other than those Common Shares held by Dissenting Holders, shall be exchanged with Dynamite for one Class A Share and the Pro Rata Number of Acquisition Company Securities, such Common Shares shall thereupon be cancelled and the certificates representing Common Shares, other than those held by Dissenting Holders, shall thereafter represent Class A Shares;
- (c) the number of Acquisition Company Securities that would be distributed to Dissenting Holders had such shareholders not exercised dissent rights shall be retained by Dynamite immediately following the Effective Date;
- (d) each outstanding Common Share held by a Dissenting Holder shall be transferred by the Dissenting Holder, without any act or formality on its part, free and clear of all liens, claims and encumbrances, to Dynamite, with Dynamite being obligated to pay therefore the amount determined and payable in accordance with Article 3 and the name of such Dissenting Holder will be removed from the register of holders of Common Shares and each such Common Share transferred by a Dissenting Holder to Dynamite shall be cancelled;
- (e) each Class A Share outstanding held by a Former Shareholder shall be transferred to Avion and, in exchange therefor, each Former Shareholder shall be entitled to receive 0.75 of an Avion Common Share, subject to the Adjustment Provision (the “**Share Exchange Ratio**”) for each Class A Share held by such Former Shareholder, subject to Section 2.5 and Article 4 hereof;
- (f) at the Effective Time, each whole Warrant outstanding will entitle the holder thereof to receive upon exercise (on the same terms and conditions as were applicable to such Warrant immediately before the Effective Time) the number (rounded down to the nearest whole number) of Avion Common Shares equal to the product of (A) the number of Common Shares subject to such Warrant immediately prior to the Effective Time and (B) the Share Exchange Ratio. No fractional Avion Common Shares will be issued to Warrantholders on exercise of Warrants. If a Warrantholder is entitled, on exercise of a Warrant, to receive a fractional Avion Common Share, the aggregate number of Avion Common Shares issuable to such Warrantholder on exercise of a Warrant will be rounded down to the nearest whole number of Avion Common Shares.
- (g) notwithstanding the terms of the Stock Option Plan or the Tau Options, or the terms of any agreement evidencing the grant of any Options, at the Effective Time, each outstanding Option shall be exchanged for an option (a “**Replacement Option**”) to acquire (except as described herein, on the same terms and conditions as the Option it replaces) Avion Common Shares, such that: (i) on exercise of each Replacement Option, each such Optionholder shall be entitled to acquire a number of Avion Common Shares equal to the product of (A) the number of Common Shares subject to the Option held by the Optionholder immediately before the Effective Time, and (B) the Share Exchange Ratio, provided that if the foregoing would result in the issuance of a fraction of an Avion

Common Share, then the number of Avion Common Shares otherwise issued on exercise of the Replacement Option shall be rounded down to the nearest whole number of Avion Common Shares; and (ii) the exercise price per Avion Common Share of such Replacement Option shall be an amount (rounded up to the nearest one-hundredth of a dollar) equal to the quotient of (A) the exercise price per Common Share subject to such Option immediately before the Effective Time divided by (B) the Share Exchange Ratio, provided that the exercise price otherwise determined shall be increased to the extent, if any, required to ensure that the In-the-Money Amount of the Replacement Option immediately after the exchange does not exceed the In-the-Money Amount of the exchanged Option immediately before the Effective Time. The terms of each Replacement Option shall be the same as the terms of the Option it is exchanged therefor and any agreement evidencing the grant thereof prior to the Effective Time, except as provided above and except that such Replacement Option shall be fully vested and it shall expire in accordance with the original term of the Option it replaces.

Section 10.4 Post-Effective Time Procedures

- (a) At or promptly after the Effective Date, Avion will deposit with the Depository certificates representing the Avion Common Shares required to be issued in accordance with the provisions of Section 10.3. Subject to Section 2.3, on and after the Effective Time, certificates formerly representing Common Shares shall cease to represent such shares and shall represent only the right to receive the consideration therefor specified in Section 2.3(b), (d) and (e) in accordance with the terms of the Arrangement.
- (b) As soon as practicable after the Effective Date, upon a Former Shareholder depositing with the Depository certificates representing Common Shares accompanied by a duly completed letter of transmittal and such other documents and instruments as the Depository may reasonably require, Avion shall cause the Depository to deliver, to the holder or otherwise in accordance with the letter of transmittal, the share certificates evidencing the Avion Common Shares and Acquisition Company Securities (if any) to which such holder is entitled in accordance with the terms of the Arrangement.

Section 10.5 Fractional Shares

No fractional Avion Common Shares or Acquisition Company Securities will be issued to Former Shareholders. If a Former Shareholder is entitled to receive a fractional Avion Common Share or Acquisition Company Security, the number of Avion Common Shares or Acquisition Company Securities issuable to such Former Shareholder under the Arrangement will be rounded down to the nearest whole number of Avion Common Shares or Acquisition Company Securities, as applicable, such Former Shareholder is entitled to received under the Arrangement.

Section 10.6 Treatment of Warrants and Options

In the event Dynamite distributes Acquisition Company Securities to Shareholders in accordance with Section 2.3(b) herein, the exercise price of each Warrant and Option will be adjusted (the “**Initial Adjustment**”) so that immediately prior to the Effective Time it shall equal the price determined by multiplying the exercise price in effect on the Effective Date before adjustment by a fraction, of which the numerator shall be the total number of Common Shares outstanding on the Effective Date multiplied by the Current Market Price of the Common Shares on the Effective Date, less the aggregate fair market value on the Effective Date of the total number of any Acquisition Company Securities distributed to Shareholders in accordance with Section 2.3(b) herein, and of which the denominator shall be the total

number of Common Shares outstanding on the Effective Date multiplied by the Current Market Price of the Common Shares. Following the Initial Adjustment, the Warrants and Options shall be treated as set forth in Section 2.3(f) and (g), respectively.

ARTICLE 11 DISSENT PROCEDURES

Section 11.1 Dissent Procedures

Holders of Common Shares may exercise Dissent Procedures with respect to Common Shares in accordance with Section 190 of the CBCA and this Section 3.1 in connection with the Arrangement as the same may be modified by the Interim Order or the Final Order, provided that, notwithstanding Subsection 190(5) of the CBCA, the written objection to the Arrangement Resolution must be received by Dynamite from registered holders of Common Shares who wish to dissent by no later than 5:00 p.m. (Toronto time) on or before the day that is two (2) Business Days before the Meeting or any date to which the Meeting may be postponed or adjourned and provided further that holders who exercise such rights of dissent and who:

- (a) are ultimately entitled to be paid fair value for their Common Shares, shall be paid an amount equal to such fair value by Dynamite; and
- (b) are ultimately not entitled, for any reason, to be paid fair value for their Common Shares shall be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting holder of Common Shares and shall be entitled to receive only the consideration contemplated in Section 2.3(b) and (e) that such holder would have received pursuant to the Arrangement if such holder had not exercised Dissent Procedures,

but further provided that in no case shall Avion, Dynamite or any other person be required to recognize holders of Common Shares who exercise Dissent Procedures as holders of Common Shares after the time that is immediately prior to the Effective Time, and the names of such holders of Common Shares who exercise Dissent Procedures shall be deleted from the securities register as holders of Common Shares at the Effective Time.

ARTICLE 12 DELIVERY OF SHARES

Section 12.1 Lost Certificates

In the event any certificate that immediately prior to the Effective Time represented one or more outstanding Common Shares that were exchanged in accordance with Section 10.3 hereof, shall have been lost, stolen or destroyed, then upon the making of an affidavit of that fact by the holder of such Common Shares claiming such certificate to be lost, stolen or destroyed, the Depositary shall, subject to the terms hereof, issue in exchange for such lost, stolen or destroyed certificate, a certificate representing the Avion Common Shares and Acquisition Company Securities (if any) to which such holder is entitled under this Plan of Arrangement. When authorizing such issuance, as a condition precedent to the delivery of such Avion Common Shares or Acquisition Company Securities, if any, contemplated in Section 2.3(b) and (e) respectively, the holder of Common Shares shall give a bond satisfactory to Avion and the Depositary in such amount as Avion and the Depositary may direct, or shall otherwise indemnify Avion and the Depositary in a manner satisfactory to Avion and the Depositary, against any claim that may be made

against Avion or the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed and shall otherwise take such actions as may be required by the articles of Dynamite.

Section 12.2 Withholding Rights

Avion and the Depositary shall be entitled to deduct and withhold from all dividends or other distributions or amounts otherwise payable to any Former Shareholder such amounts as Avion or the Depositary is required or permitted to deduct and withhold with respect to such payment under the Tax Act, the United States Internal Revenue Code of 1986 or any provision of any applicable federal, provincial, state, local or foreign tax law or treaty, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Former Shareholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

Section 12.3 Limitation and Proscription

To the extent that a Former Shareholder shall not have complied with the provisions of Section 10.3 or Section 12.1 on or before the date that is six (6) years after the Effective Date and shall have not delivered to the Depositary, any certificate which prior to the Effective Time represented Common Shares (the “final proscription date”), then the entitlement of such Former Shareholder to receive Avion Common Shares and Acquisition Company Securities, if any, contemplated in Section 10.3, under this Plan of Arrangement shall cease as of such final proscription date and such Former Shareholder shall thereafter have no claim or interest of any kind or nature against Avion or Dynamite and shall be deemed to have surrendered to Avion all rights and interest in such shares together with all entitlements to dividend distributions and interest thereon.

ARTICLE 13 AMENDMENTS AND TERMINATION

Section 13.1 Amendments to Plan of Arrangement

- (a) Avion and Dynamite reserve the right to amend, modify or supplement this Plan of Arrangement at any time and from time to time, provided that each such amendment, modification or supplement must be: (i) set out in writing; (ii) agreed to in writing by Avion and Dynamite; (iii) filed with the Court and, if made following the Meeting, approved by the Court; and (iv) communicated to Shareholders if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Dynamite at any time prior to the Meeting provided that Avion shall have consented thereto in writing, with or without any other prior notice or communication to the Shareholders and, if so proposed and accepted by the persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Meeting shall be effective only if: (i) it is consented to in writing by each of Avion and Dynamite; and (ii) if required by the Court, it is consented to by the Shareholders voting in the manner directed by the Court.

Section 13.2 Termination of Plan of Arrangement

At any time up until the time the Final Order is made, Avion and Dynamite may mutually determine not to proceed with this Plan of Arrangement, or to terminate this Plan of Arrangement, notwithstanding any prior approvals given at the Meeting. In addition to the foregoing, this Plan of Arrangement shall automatically and without notice, terminate immediately and be of no further force or effect, upon the termination of the Arrangement Agreement in accordance with its terms.