Interim Unaudited Consolidated Financial Statements

Lion One Metals Limited

(A Development Stage Company)

For the three and nine months ended March 31, 2011
(Expressed in Canadian Dollars)

LION ONE METALS LIMITED
(A Development Stage Company)
Interim Consolidated Balance Sheet
(Unaudited - expressed in Canadian dollars)

		March 31, 2011		June 30, 2010 (Audited)
Assets				
Current assets:				
Cash and cash equivalents	$	9,380,626	$	140,571
Other receivables		242,446		31,634
Prepaid expenses		-		5,533
Deposits (note 7(b))		22,984		19,313
		9,646,056		197,051
Furniture and equipment (note 6)		50,336		33,749
Mineral properties and deferred exploration costs (note 7(a))		7,005,101		6,038,982
	$	16,701,493	$	6,269,782
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities (note 8)	$	115,859	$	82,578
Due to related parties (note 8)		360,905		268,289
		476,764		350,867
Future income tax liability		966,551		964,381
Shareholders' equity:				
Share capital (note 9)		15,873,415		5,202,469
Warrants		402,500		
Agent warrants		76,440		
Contributed surplus		15,541,703		15,330,912
Deficit		(16,635,880)		(15,578,847)
		15,258,178		4,954,534
Nature of business and future operations (note 1)				
Commitment (note 7(b))				
Subsequent events (note 13)				
	$	16,701,493	$	6,269,782

See accompanying notes to consolidated financial statements.

APPROVED BY THE BOARD OF DIRECTORS:

____________________ Director   ____________________ Director

LION ONE METALS LIMITED

(A Development Stage Company)
Interim Consolidated Statement of Operations and Comprehensive Loss
(Unaudited - expressed in Canadian dollars)

	Three Months Ended March 31, 2011	Nine Months Ended March 31, 2011	Year ended June 30, 2010 (audited) (Note 14)
GENERAL AND ADMINISTRATIVE EXPENSES			
Consulting fees	$ 153,320	$ 190,877	$ 21,967
Foreign exchange (gain) loss	(14,739)	10,312	(75,997)
Licenses, dues and other fees	2,835	3,472	319
Management fees	182,262	182,262	
Office and miscellaneous	25,869	48,986	31,906
Professional fees	57,572	77,726	61,106
Rent	29,131	29,131	1,632
Salaries and benefits	-	71,018	56,885
Stock based compensation (note 10)	348,448	521,246	252,969
Travel	107,929	112,504	26,885
Operating Loss	892,627	1,247,534	377,672
OTHER INCOME			
Interest income	(31,682)	(31,682)	
Net loss and other comprehensive loss for the year	860,945	1,215,852	377,672
Basic and diluted loss per share amounts (note 9(b))	$ 0.03	$ 0.05	$ 0.02
Weighted average common shares outstanding	33,233,159	25,105,669	21,108,543

See accompanying notes to consolidated financial statements.

LION ONE METALS LIMITED

(A Development Stage Company)
Interim Consolidated Statement of Cash Flows
(Unaudited - expressed in Canadian dollars)

	Three Months Ended March 31, 2011	Nine Months Ended March 31, 2011	Year ended June 30, 2010 (audited)
Cash provided by (used in):			
Operations:			
Net loss for the period	$ (860,945)	$ (1,215,852)	(377,672)
Items not involving cash:			
Stock-based compensation expense	348,447	521,246	252,969
Foreign exchange (gain) loss	(24,954)	2,170	(84,475)
Changes in non-cash operating working capital:			
Other receivables	(98,268)	(128,126)	9,865
Prepaid expenses	548	5,533	(5,533)
Deposits	593	(3,671)	(497)
Accounts payable and accrued liabilities	(172,019)	(206,239)	(55,315)
	(806,598)	(1,024,939)	(260,658)
Financing:			
Due to related parties	(424,882)	(220,797)	781,849
Share issuance costs	(620,715)	(620,715)	
Issuance of shares on exercise of stock options	79,854	79,854	
Due from related party	45,000		
Due to X-Tal Minerals Corp.	16,458	232,112	
	(904,285)	(529,546)	781,849
Investments:			
Purchase of equipment	(15,486)	(25,648)	(4,940)
Mineral properties and deferred exploration costs	(444,789)	(697,316)	(616,763)
Cash acquired in RTO with X-Tal	11,517,504	11,517,504	
	11,057,229	10,794,540	(621,703)
Increase (decrease) in cash	9,346,346	9,240,055	(100,512)
Cash, beginning of period	34,280	140,571	241,083
Cash, end of period	$ 9,380,626	$ 9,380,626	$ 140,571
Supplementary cash flow information:			
Non-cash investing, financing and operating activities:			
Amortization expense capitalized to mineral properties and deferred exploration costs	$ 3,065	$ 9,062	$ 11,370
Stock-based compensation capitalized to mineral properties	45,900	76,077	(8,675)
Elimination of intercompany balance on RTO	232,112	232,112	
Increase in mineral property and deferred exploration costs acquired in RTO	183,664	183,664	
Due to related parties settled through issuance of common shares			1,902,436
Transfer subscription receipts to share capital	10,281,001	10,281,001	
Transfer of subscription receipts to warrants	402,500	402,500	
Transfer of agent's costs from share capital to warrants	76,440	76,440	
Transfer from contributed surplus to share capital on on exercise of stock options	84,906	84,906	

See accompanying notes to consolidated financial statements.

LION ONE METALS LIMITED

(A Development Stage Company)
Interim Consolidated Statement of Shareholders' Equity
(Unaudited - expressed in Canadian dollars)

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	Number of Shares	Amount	Warrants	Net Investment by Parent	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
Balances, June 30, 2008	5,373,799	$ 53,738		$ (105,922)	$ 15,088,622	$ (14,831,764)	$ -	$ 204,674
Acquisition of non-controlling interest (note 2 and note 9(a))	7,000,000	3,026,691		-	-	-	-	3,026,691
Shares issued (note 8(a))	50,000	20,000		-	-	-	-	20,000
Stock based compensation - stock options (note 10)	-	-		-	84,392	-	-	84,392
Escrowed shares - issued (note 10)	300,000	-		-	-	-	-	-
Escrowed shares - returned to treasury (note 10)	(150,000)	-		-	-	-	-	-
Stock based compensation - escrowed shares (note 10)	-	113,208		-	-	-	-	113,208
Net loss for the year	-	-		-	-	(263,489)	-	(263,489)
Other adjustment to deficit (note 2)	-	-		105,922	-	(105,922)	-	-
Other comprehensive income	-	-		-	-	-	-	-
Balances, June 30, 2009	12,573,799	3,213,637		-	15,173,014	(15,201,175)	-	3,185,476
Share issued (note 9(a))	7,609,744	1,902,436		-	-	-	-	1,902,436
Stock based compensation - stock options (note 10)	-	-		-	157,898	-	-	157,898
Escrowed Shares (Note 9)	1,000,000							-
Escrowed Shares - returned to treasury (note 10)	(75,000)	-			-	-	-	-
Stock based compensation - escrowed shares (note 10)	-	86,396			-	-	-	86,396
Net loss for the year	-	-		-	-	(377,672)	-	(377,672)
Other comprehensive income	-	-		-	-	-	-	-
Balances, June 30, 2010	21,108,543	5,202,469		-	15,330,912	(15,578,847)	-	4,954,534
Stock based compensation - stock options (note 10)					295,697			295,697
Stock based compensation - escrowed shares (note 10)		53,625						53,625
Stock based compensation - trust shares (note 9(b))		248,000						248,000
Assumption of net deficit of X-Tal	6,300,001					(24,846)		(24,846)
Capitalization of mineral property expenditures incurred								-
by X-Tal in reverse take-over						183,665		183,665
Issuance of shares in private placement, net of expenses	11,500,000	10,281,001	402,500					10,683,501
Issuance of agent's options		(76,440)	76,440					-
Issuance of shares on option exercise	219,583	164,760			(84,906)			79,854
Net loss for the period						(1,215,852)		(1,215,852)
Balances, March 31, 2011	39,128,127	$ 15,873,415	$ 478,940	$ -	$ 15,541,703	$ (16,635,880)	$ -	$ 15,258,178

See accompanying notes to consolidated financial statements.

1. Nature of business and future operations

Lion One Metals Limited (Lion One or the Company) was created on January 28, 2011 by the reverse takeover (RTO) of X-Tal Minerals Corp. (X-Tal) by American Eagle Resources Inc. (AME). X-Tal had no assets other than cash and taxes recoverable and had no commercial operations.

X-Tal's fiscal year end previously ended on August 31. Just prior to the RTO, X-Tal changed its fiscal year-end to June 30 to coincide with AME's year end. X-Tal changed its name to Lion One Metals Limited.

AME had no substantive operations until September 18, 2008 when it entered into an agreement to purchase 100% of the outstanding shares of Laimes International Inc., a British Virgin Islands company which indirectly owns the Tuvatu mineral property in Fiji (see note 3). AME through its indirect subsidiary has been issued five (5) Special Prospecting Licenses allowing it to explore the Tuvatu property and requiring a certain amount of expenditures during the life of the licenses (see note 7). The Company is currently exploring the Tuvatu property. To March 31, 2011, the Company has not generated revenue from its exploration activities.

The ability of the Company to realize its assets and meet its financial obligations and commitments is dependent upon the existence of economically recoverable reserves, maintaining interest in its properties, obtaining the necessary financing to search and acquire and meet exploration commitments on the properties and upon future profitable operations or proceeds from the disposition of the properties.

2. Reverse Takeover Accounting

On November 1, 2010, the AME entered into a definitive merger agreement (Agreement) with X-Tal Minerals Corp. (TSX Venture: XMT.H). The parties agreed to an arrangement by which X-Tal Minerals Corp. (X-Tal) would acquire all of the outstanding shares of AME. Pursuant to the terms of the Agreement, all of the common shares of AME were exchanged for common shares of the X-Tal on a basis of one (1) common share of AME for one (1) common share of X-Tal. The transaction was completed on January 28, 2011 and has been accounted for as an RTO transaction in accordance with guidance provided in EIC Abstract No. 10 – Reverse Takeover Accounting. As X-Tal did not qualify as a business for accounting purposes according to the definition in EIC Abstract No. 124 – Definition of a Business, the transaction has been accounted for as an issuance of shares by AME for the net monetary assets of X-Tal.

Pursuant to the RTO transaction, the financial statements for the nine months ended March 31, 2011 reflect the assets, liabilities, and results of operations of AME prior to the RTO. The consolidated assets, liabilities and results of operations of X-Tal and AME are included subsequent to the RTO. The consolidated financial statements are issued under the legal parent (Lion One), but are deemed to be a continuation of the legal subsidiary (AME). Net loss per share has been adjusted for all periods presented in accordance with the guidance in EIC Abstract No. 10. Accordingly, the shares issued in respect of the concurrent private placement have not been included in the calculation of basic and fully diluted earnings per share in the prior year.

The costs of the RTO amounted to $167,040. These costs where paid by X-Tal and are included in the pre-amalgamation deficit balance.

As X-Tal did not have title to the mineral property all expenses it incurred pursuant to the August 24, 2010 non-binding letter of intent with AME were expensed. As part of the RTO adjustment, in accordance with the Company's accounting policy $183,664 was capitalized to mineral properties and deferred exploration costs.

3. Acquisition of Laimes International Inc.

On September 18, 2008, AME entered into an agreement with Laimes Global Inc. and the other shareholders of Laimes International Inc. to purchase 100% of the outstanding shares of Laimes International Inc., a British Virgin Islands company which indirectly owns the Tuvatu mineral property in Fiji, in exchange for 7,300,000 common shares of AME. As the transaction resulted in no substantive change in control over the exploration rights, the transaction was accounted under the continuity of interest method of accounting. The following adjustments arose as a result of this transaction:

- The financial statements of AME for the year ended June 30, 2008 were restated to include the results of Laimes International Inc. for the year ended June 30, 2008.
- At June 30, 2008, a deficiency relating to Laimes International Inc. of $105,922 was presented in equity as the net investment by parent, Laimes Global Inc. On September 18, 2008, this amount was reclassified to deficit.
- As the Company acquired the 20% non-controlling interest in Laimes International Inc., a fair value adjustment of $3,026,691 was assigned to the 500,000 shares issued to the holders of the non-controlling interest. This adjustment was allocated to the assets and liabilities of Laimes International Inc. as follows:

Mineral properties	$ 4,203,738
Future tax liability	$(1,177,047)

- 300,000 shares included in the share exchange were issued to employees and a director of AME. Pursuant to an escrow agreement, the shares are released to the employees and director over a period of three years. Three of the employees have since left AME resulting in the forfeiture of 225,000 of the shares issued. With respect to the remaining 75,000 shares, stock based compensation of $53,625 (2010 - $86,396) was recognized during the period (see note 10).

4. Significant accounting policies

The following is a summary of significant accounting policies followed by the Company:

(a) Basis of presentation:

These consolidated interim financial statements include the accounts of Lion One, AME and its wholly owned subsidiary Laimes International Inc. and its subsidiaries Auksas Inc. and Lion One Limited. All intercompany balances and transactions are eliminated on consolidation.

Comparative interim financial statements have not been prepared, as historically, the Company has had no requirement to prepare interim financial statements and it is impracticable to do so.

These unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles (“GAAP”). The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements. These unaudited interim financial statements do not include in all respects the annual disclosure requirements of GAAP and should be read in conjunction with the most recent audited annual statements.

4. Significant accounting policies (continued)

(b) Measurement uncertainty

The preparation of consolidated financial statements requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the recognition of revenue and expenses during the reporting periods. Actual amounts may differ from these estimates. With respect to these consolidated financial statements, significant areas requiring the use of management estimates relate to the measurement of future cash flows and their impact on the assessment of going concern, the underlying value of deferred expenditures, stock-based compensation, accounts payable and accrued liabilities, asset retirement obligations and contingent liabilities.

Other judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements, are:

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Canadian dollar, being the source currency of the Company's capital funds.

Recoverability of Mineral Properties and Deferred Exploration Costs

The Company's accounting policy for exploration, evaluation and development expenditure results in certain items of expenditure being capitalized, or where costs are known to be recoverable by future exploitation of the property, or from the sale of gold material. This policy requires management to make certain estimates and assumptions as to future events and circumstances such as a market exists for the sale of gold material, and that reserves can be established at market prices that exceed the cost of extracting the underlying resources. Any such estimates and assumptions may change as new information becomes available.

Future Income Tax Valuation Allowance

The Company has certain future income tax assets arising as a result of non-capital income tax losses carried forward. The Company records a valuation allowance against future income taxes because the criteria for their recognition have not been met. This requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the estimated likelihood and timing of reversal of temporary differences, and the likelihood of reaching commercial production in the future.

(c) Financial instruments

The Company classifies all financial instruments into one of the five following categories: "held-for-trading", "held-to-maturity", "available-for-sale", "loans and receivables" or "other financial liabilities". Held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Held-for-trading instruments are measured at fair value with changes in fair value recognized in the statement of operations. Available-for-sale instruments are measured at fair value with changes in fair value excluded from earnings and reported as other comprehensive income until the financial asset is derecognized or impaired, at which time the gain or loss previously recognized in accumulated other

4. Significant accounting policies (continued)

(c) Financial instruments (continued)

comprehensive income is recognized in net earnings for the period. The Company has classified its financial instruments as follows:

Cash and deposits	Held-for-trading
Other – taxes receivable	Loans and receivables
Accounts payable and accrued liabilities, due to related parties	Other financial liabilities

The Company accounts for purchases and sales of financial assets at the trade date. Transaction costs for financial assets and liabilities classified or designated as held-for-trading and those classified as not held-for-trading are recognized immediately in net loss.

The Company does not enter into financial instrument contracts to hedge foreign exchange positions.

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures, was amended to require disclosures about the inputs to fair value measurements, including their classifications within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

(i) Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;

(ii) Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly; and

(iii) Level 3 – Inputs that are not based on observable market data.

At March 31, 2011, the Company's financial Instruments which are measured at fair value on a recurring basis were cash and deposits. These financial instruments were classified as "Level 1" financial instruments.

5. Future accounting changes

(a) Business combinations

In December 2008, the CICA issued Section 1582, "Business Combinations", which will replace Section 1581, "Business Combinations". This section establishes revised standards for the accounting for a business combination which are aligned with International Financial Reporting Standards ("IFRS") on business combinations. Section 1582 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

(b) Consolidated financial statements

In January 2009, the CICA issued Section 1601, "Consolidated Financial Statements". This Section, together with Section 1602, replaces the former Section 1600, "Consolidated Financial Statements", and establishes standards for the preparation of consolidated financial statements. The Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582, "Business Combinations", and Section 1602, "Non-controlling Interests".

5. Future accounting changes (continued)

(c) Non-controlling interest

In January 2009, the CICA issued Section 1602, "Non-controlling Interests". This new Section, together with Section 1601, establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This Section applies to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582, "Business Combinations" and Section 1601, "Consolidated Financial Statements".

(d) In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter of 2012, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency activities, certain contractual arrangements, capital requirements and compensation arrangements. The Company is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a timely conversion.

The Company has not yet determined the impact of adopting these standards on the Company's consolidated financial statements.

6. Furniture and equipment

	March 31, 2011		
	Cost	Accumulated amortization	Net book value
Furniture	$ 3,564	$ 1,462	$ 2,102
Equipment	75,393	27,159	48,234
	$ 78,957	$ 28,621	$ 50,336

	June 30, 2010		
	Cost	Accumulated amortization	Net book value
Furniture	$ 3,268	$ 907	$ 2,361
Equipment	50,041	18,653	31,388
	$ 53,309	$ 19,560	$ 33,749

During the period ended March 31, 2011, amortization expense of $9,062 (2010 - $11,370) was capitalized in mineral properties and deferred exploration costs.

7. Mineral properties and deferred exploration costs

(a) Mineral properties and deferred exploration costs incurred during the period were:

	Opening Balance June 30, 2010	Additions (Writeoffs)	Closing Balance March 31, 2011
Tuvatu Property (SPL 1283, 1296, 1465)			
Acquisition costs	$ 4,715,419		$ 4,715,419
Amortization	18,117	$ 8,910	27,027
Consulting - engineering	-	38,925	38,925
Consulting - exploration	143,020	347,005	490,025
Drilling	113,679	-	113,679
Licensing fee	5,182	7,244	12,426
Land rental	20,216	-	20,216
Professional fees	89,203	95,356	184,559
Office and administration	131,291	20,428	151,719
Salaries and benefits	428,069	196,131	624,200
Sample preparations, assaying, analysis	43,575	29,741	73,316
Travel, meals, and accomodation	88,785	83,538	172,323
Vehicles	37,224	7,621	44,845
Repairs	12,100	9,709	21,809
Equipment rental	128,563	42,210	170,773
Freight	12,613	3,644	16,257
Utilities	18,396	6,864	25,260
	$ 6,005,452	$ 897,326	$ 6,902,778

	Opening Balance June 30, 2010	Additions (Writeoffs)	Closing Balance March 31, 2011
Vanua Levu (SPL 1467, 1468)			
Amortization	$ 83	$ 156	$ 239
Consulting - engineering	-	5,364	5,364
Licensing fee	-	7,340	7,340
Professional fees	4,935	11,528	16,463
Office and administration	404	2,391	2,795
Salaries and benefits	14,909	18,836	33,745
Sample preparations, assaying, analysis	4,163	9,149	13,312
Travel, meals, and accomodation	4,654	3,143	7,797
Vehicles	223	4,003	4,226
Repairs	-	121	121
Equipment rental	2,315	1,925	4,240
Freight	-	2,327	2,327
Utilities	1,844	2,510	4,354
	$ 33,530	$ 68,793	$ 102,323

7. Mineral properties and deferred exploration costs (continued)

(b) Tuvatu property

The Company's indirect subsidiary, Lion One Limited, was granted Special Prospecting Licenses ("SPL") by the Fijian government for carrying out exploration activities on the Tuvatu property. Under the terms of these licenses the Company is required to spend a minimum amount on exploration activities. Management believes that these mining expenditures requirements have been satisfied. The expiry of the licenses and three-year exploration requirements are as follows:

	Issued	Expires	Bond (Fijian dollars)	Bond C$	Expenditure requirement (Fijian dollars)	Expenditure requirement C$
SPL 1283 and 1296	1-Jul-10	30-Jun-13	$ 20,000	$10,690	$ 4,200,000	$ 2,244,900
SPL 1465	1-Jul-10	30-Jun-13	10,000	5,345	1,800,000	962,100
SPL 1467	19-Apr-11	18-Apr-12	11,000	5,880	110,000	58,795
SPL 1468	19-Apr-11	18-Apr-12	4,000	2,138	40,000	21,380
As at March 31, 2011			$ 45,000	$24,053	$ 6,150,000	$ 3,287,175

The Company has received confirmation of acceptance of the proposed work program from the Fijian Mineral Resource Department. Annual expenditure commitment for SPL 1283/1296 and SPL 1465 are Fijian $ 700,000 and Fijian $600,000 respectively. SPL 1467 and SPL 1468 were renewed on May 12, 2011. All licenses are assessed annually by the Fijian government for performance and compliance with work and expenditures commitments. The licenses require the posting of bonds as security against future reclamation obligations. As at March 31, 2011 included in deposits are restricted cash balances of C$22,984 related to the bonds, the remainder was paid subsequent to period end.

8. Related party transactions

On May 15, 2009, Laimes Global Inc. ("LGI"), the majority shareholder of AME, entered into an Option Agreement with Canadian Zinc Corporation ("CZC") whereby CZC was granted the exclusive right and option to acquire the Company. As part of the option agreement, CZC agreed to fund expenditures of AME and its subsidiaries that were required under the licenses issued to Lion One Limited. During the year ended June 30, 2010, $300,000 was received from CZC for such expenditures. Because AME and LGI agreed that the cash received from CZC was on account of LGI, the Company has agreed to repay LGI the amounts received from CZC. Accordingly, the $571,812 that has been received to date has been reported as amount payable to LGI. On April 1, 2010, pursuant to a share for debt conversion agreement, this loan payable to LGI was converted into shares of AME at $0.25 per share. CZC did not exercise its option and on October 31, 2009, the option expired.

Upon expiration of the options to CZC, at the direction of LGI, AME issued 1,250,000 warrants to CZC exercisable into common shares at an exercise price of $2.00 until October 31, 2010.

8. Related party transactions (continued)

AME determined that the value of the warrants issued is $Nil. Therefore, no amount has been assigned to the warrants and there has been no adjustment to the loan payable to LGI as a result of this transaction.

On October 1, 2010, AME entered a royalty agreement with LGI whereby LGI will continue to provide a letter of support and liquidity as necessary to fund the AME's operations in Fiji until the sooner of June 30, 2011 or the time AME raises $5,000,000 in capital through a reverse takeover or other financing and AME granted a perpetual production royalty of 0.5% to 1.5% net smelter return on the Fijian properties.

On January 1, 2011, the Company signed a 5 year Management and Corporate Services Agreement (CSA) with Cabrera Capital Corp.(Cabrera), a company having a number of directors and or senior officers in common with the Company. The CSA indicates that Cabrera will provide management, business administration shareholder services, securities administration, and corporate services to the Company and will charge the Company actual out-of-pocket costs. In addition, the CSA indicates that the Company will pay rent of $15,000 plus HST per month for its premises. In January 2011 prior to completion of the transaction, X-Tal incurred costs of $ 78,071 and rent of $16,314 pursuant to the CSA. After completion of the transaction, the Company incurred costs of $182,262 and paid rent in the amount of $29,131 to Cabrera. To December 31, 2010, AME incurred costs amounting to $118,650 (2010 - $74,306) for the same services provided by Cabrera. No profit or loss is realized on these shared costs and the transactions are recorded at the exchange amount, being the amount agreed to by the transacting parties. These costs are included in net loss for the period.

Included with amounts due to related parties are advances due to companies under common control of $360,905 (June 30, 2010 – $268,289). These amounts are non-interest bearing, unsecured and are repayable on demand.

Pursuant to the definitive merger agreement, a director was to be paid an $80,000 bonus on completion of the RTO. The bonus was paid in full during the period. The bonus was recorded as consulting costs.

Included in accounts payable and accrued liabilities are amounts due to a director of the Company of $19,220 (June 30, 2010 – $20,248). These amounts are non-interest bearing, are payable on demand and are settled on a current basis in the normal accounting cycle. During the nine months ended March 31, 2011, consulting fees of $107,500 were paid to a director of the Company. Of this amount $24,375 was capitalized to mineral properties and deferred exploration costs.

9. Share capital

(a) Authorized
Unlimited common shares at no par value

(b) On April 1, 2010 a Trust Agreement between AME, a Trustee, and certain Beneficiaries was executed. Each of the Beneficiaries provides management services to AME either as an employee or independent contractor of AME. AME has issued and allotted 1,000,000 common shares from treasury registered in the name of a Trustee at a deemed price of $0.40 per Subject Share. Pursuant to the "Going Public Transaction", legal title to the Subject Shares will be transferred to each of the Beneficiaries, and such Subject Shares will vest and be released from the terms of the Trust Agreement. Compensation expense of $248,000 has been recognized subsequent to completion of the RTO.

9. Share capital (continued)

(c) On December 22, 2010, X-Tal completed a private placement of 11,500,000 subscription receipts at $1.00 per subscription receipt for total proceeds of $11,500,000. Upon completion of the RTO transaction, each subscription receipt was automatically exercised into one Unit of the Company, each Unit consisting of one common share of the Company and one-half of one share purchase warrant, each whole warrant entitling the holder to purchase one common share of the Company at a price of $2.00 for 12 months following closing. The Company agreed to pay its agents a 6% cash commission on the brokered portion (4,900,000 subscription receipts) of the private placement and issued 294,000 agent's options entitling the agent to purchase one common share of the Company at a price of $1.00 for 12 months following closing.

The relative fair value of the warrants included in the subscription receipts was determined using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate – 1.64%; no expected dividends; expected life – one year; expected stock price volatility – 65%. The fair value of each warrant was $0.07 and the total fair value allocated to the 5,750,000 warrants was $402,500.

The relative fair value of the agent's options was determined using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate – 1.64%; no expected dividends; expected life – one year; expected stock price volatility – 65%. The fair value of each warrant was $0.26 and the total fair value allocated to the agent's options was $76,440

All of the 5,750,000 warrants and 294,000 agent's options expire on January 28, 2012 and are outstanding at March 31, 2011.

(d) Loss per share

The effect of dilutive securities has not been shown as the effect of all such securities is anti-dilutive.

10. Stock option plan

Upon completion of the RTO transaction, the Company adopted a New Stock Option Plan (Plan) and all existing X-Tal and AME stock options continued as options under the Plan. The Plan provides for the granting of stock options to purchase a maximum of 10% of total issued common shares to eligible recipients. Generally, the options vest over a period of one to three years and the term of an option may not exceed ten years. The number of shares reserved for grant may be altered by a general meeting of shareholders.

A summary of the activity under the Plan as of March 31, 2011 is as follows:

	Number of shares	Weighted average exercise price
Balance, June 30, 2009	1,750,000	0.38
Granted	680,000	0.35
Forfeited	(345,000)	0.38
Balance, June 30, 2010	2,085,000	0.37
Granted	820,000	1.00
Exercised	(219,583)	0.36
Forfeited	(285,417)	0.35
Balance, March 31, 2011	2,400,000	$ 0.58

10. Stock option plan (continued)

The following table summarizes information about the options outstanding at March 31, 2011:

Date of grant	Number of options outstanding	Exercise price		Number of options exercisable	Expiry date
February 6, 2008	200,000	$	0.50	200,000	February 6, 2013
February 9, 2009	290,000		0.35	290,000	February 9, 2014
March 1, 2009	410,000		0.35	410,000	March 1, 2012
March 1, 2010	680,000		0.35	226,644	March 1, 2013
October 25, 2010	820,000		1.00	-	October 25, 2015
	2,400,000			1,126,644	

As at March 31, 2011 the weighted average number of months remaining is 33 months.

During the period ended March 31, 2011, the Company recognized stock-based compensation of $597,323 (2010 - $252,969) related to the options. Of this amount $76,077 (2010 - $Nil) was capitalized in mineral properties and deferred exploration costs. As a result of the resignations of a director, $79,869 of stock based compensation previously recognized has been reversed. In fiscal 2010, $20,552 of previously recognized stock based compensation was reversed on the departure of employees.

Assumptions applied to determine the fair value of options granted on October 25, 2010 were: risk-free interest rate – 1.7%; no expected dividends; expected option life – five years; expected stock price volatility – 158%; weighted average fair value of options granted at market prices - $0.93.

Assumptions applied to determine the fair value of options granted on March 1, 2010 were: risk-free interest rate – 1.9%; no expected dividends; expected option life – three years; expected stock price volatility – 158%; weighted average fair value of options granted at market prices - $0.34.

Assumptions applied to determine the fair value of options granted on March 1, 2009 were: risk-free interest rate – 1.5%; no expected dividends; expected option life – three years; expected stock price volatility – 136% for employees and 157% for non-employees; weighted average fair value of options granted at market prices - $0.31 for employees and $0.29 for non-employees.

Assumptions applied to determine the fair value of options granted on February 9, 2009 were: expected volatility - 42.97%; risk-free interest rate - 2.00%; expected option life - 4 years; and no expected dividends; weighted average fair value of options granted at market prices - $0.12.

Assumptions applied to determine the fair value of options granted on February 6, 2008: expected volatility - 50.50%; risk-free interest rate - 3.19%; expected option life - 4 years; and no expected dividends; weighted average fair value of options granted at market prices - $0.23.

As part of the share purchase transaction dated September 18, 2008 (see note 2) 300,000 shares were issued to directors and employees of the Company. Pursuant to an escrow agreement, the 300,000 shares are released to the directors and employees over a period of three years from the time of issue. In previous periods, three of the employees left the Company resulting in 225,000 shares being returned to treasury. Stock based compensation expense of $53,625 (2010 - $86,396) was recognized during the period with respect to the remaining shares.

11. Capital management

The Company's capital management policy is to maintain a strong, but flexible capital structure that optimizes the cost of capital, creditor and market confidence while sustaining the future development of the business.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. The Company's capital structure includes shareholders' equity of $15,298,678 (June 30, 2010 - $4,954,534). In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek additional debt financing and adjust its capital spending to manage current and projected debt levels. The Company is not subject to externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the nine month period ended March 31, 2011.

12. Financial instruments

Financial instruments of the Company comprise cash, deposits, accounts payable and accrued liabilities and due to related parties. The carrying values of these financial instruments do not materially differ from their fair values due to their ability for prompt liquidation or their short terms to maturity.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

The Company has exposure to liquidity risk, foreign currency risk, and credit risk and as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks.

Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they come due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking harm to the Company's reputation. All financial liabilities of the Company are due within one year. As at December 31, 2010 there are adequate financial assets on hand to meet current trade liabilities.

Foreign currency risk

Foreign currency exchange risk is the risk that the future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. The Company's financing is raised in Canadian dollars, but the majority of the Company's operations are conducted in Fijian dollars, therefore the Company is impacted by changes in the exchange rate between the Canadian and Fijian dollar. As at March 31, 2011, the Company's net financial assets were C$158,187 (F$295,954). A 100 basis points change in the value of the Canadian dollar would result in a foreign exchange gain or loss of approximately $2,960.

12. Financial instruments (continued)

Credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash. The cash is deposited with reputable financial institutions, from which management believes the risk of loss to be remote.

13. Subsequent events

On April 14, 2011, the Company completed a private placement of 8,180,906 Units at $1.55 for gross proceeds of $12,680,404. On April 26, 2011, the Company issued an additional 1,025,123 Units at $1.55 for gross proceeds of $1,588,941. Each Unit consists of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $2.25 per common share until April 14, 2012 and April 26, 2012 respectively.

The Company has paid the agent a cash commission of 6% of the gross proceeds of the brokered portion of the offering. In addition, the agents received agent's options to purchase common shares equal to 6% of the aggregate number of common shares sold under the private placement at the price of $2.25 per share until April 14, 2012. The Company declared a bonus payable of $62,500 each to a director and an officer of the Company as part of the financing.

On May 5, 2011, 2,430 agent's options were exercised for proceeds of $2,430.

On May 25, 2011, the Company granted 1,685,000 stock options to officers, directors, employees and consultants with a grant price of $1.40 and an expiry date of May 25, 2016.

Subsequent to period end the Company entered into an agreement to acquire two parcels of land and other assets including an office building, workshop and construction equipment in Nadi, Fiji. Each parcel is described in Native Lease's No. 27582 and No. 27583. The total purchase price is Fj$805,0000 (approximately C$480,000). Fj$40,250 (approximately $24,000) was deposited into a trust account upon execution of the acquisition agreement. The remaining funds shall be paid to the Vendor upon registration of title and transfer of the property. The Company expects the acquisition to close in the first quarter of fiscal 2012

14. Comparative figures

Some of the prior year comparative figures have been reclassified to conform with the current period's presentation.