LIO:TSX-V

LION ONE METALS LIMITED

Management's Discussion and Analysis

For the Year Ended June 30, 2011

As at October 13, 2011

(Dollar amounts expressed in Canadian dollars)

Introduction

Basis of Discussion and Analysis

Management's Discussion and Analysis ("MD&A") discusses the significant factors affecting the results of operations and financial position of Lion One Metals Limited (formerly X-Tal Minerals Corp.) (the "Company" or "Lion One Metals") for the fiscal year ended June 30, 2011 and includes material information up to October 13, 2011. Financial data provided has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar references, unless otherwise stated, are in Canadian dollars.

This MD&A should be read in conjunction with the Company's audited financial statements for the fiscal year ended June 30, 2011.

Non-GAAP Measures

The Company uses non-GAAP measures which do not have any standardized meaning prescribed by GAAP. These non-GAAP definitions are used in this MD&A because management believes that they provide useful information regarding the Company's business. Readers are cautioned that the definitions are not recognized measures under Canadian GAAP, do not have standardized meaning prescribed by GAAP and should not be construed as indicators of performance, liquidity or cash flows. The Company's method of calculating these measures may differ from the method used by other entities and accordingly the Company's measures may not be comparable to similar titled measures used by other entities or in other jurisdictions

Forward-Looking Statements

This MD&A contains forward-looking statements and information within the meaning of applicable securities legislation. These forward-looking statements reflect management's current expectations, estimates, projections, beliefs and assumptions that were made using information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "expect," "plan," "anticipate," "believe," "intend," "estimate," "predict," "forecast," "outlook," "potential," "continue," "should," "likely," or the negative of these terms or other comparable terminology. Although management believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve assumptions, known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; availability of equity and debt financing; financial market volatility; the impact of newly adopted accounting principles on the Company's accounting policies; and other risks and factors described from time to time in the documents filed by the Company with the security regulars in Canada. The Company undertakes no obligation to publicly revise or update any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements contained herein is made as of the date hereof and is expressly qualified in its entirety by the cautionary statements in this MD&A.

Objectives and Financial Highlights

Overview of the Business

The Company is a publicly traded company, incorporated under the laws of British Columbia. The Company's common shares are listed on the TSX Venture Exchange (TSX-V or the "Exchange").

During the current fiscal year, on November 1, 2010 the Company executed a definitive agreement to affect a reverse take-over with American Eagle Resources Inc. ("AME"). The definitive agreement formalized the terms of the non-binding letter of intent the Company entered into with American Eagle Resources Inc. ("AME") to acquire all the outstanding shares of AME. Pursuant to the terms of the definitive agreement, all of the common shares of AME become exchangeable for common shares of the Company on a basis of one (1) common share of AME for one (1) common share of X-Tal. AME and X-Tal had 21,108,543 and 6,300,001 common shares outstanding, respectively at the time of entering into the transaction. The transaction constituted a reverse takeover for accounting purposes with AME being the acquirer. The Company also completed a name change to Lion One Metals Limited. The principal asset of AME was the Tuvatu Gold Deposit located on the Fijian Island of Viti Levu. AME also held mineral properties on Venua Levu, Fiji's second largest island. The Company received formal written confirmation of title to these tenements on Venua Levu on May 12, 2011, and therefore has only performed limited exploration activities to date. Unanimous shareholder approval supporting the transaction was obtained at the Annual and Special Meeting of Shareholders held December 21, 2010.

The Company applied to list the common shares of the combined Company on the TSX-V (Tier 1). Formal approval of the transaction and the listing was received on January 28, 2011.

The executive officers and directors of the continuing Company are:

Walter Berukoff	Chairman and Chief Executive Officer, and director
Darcy Krohman	Chief Financial Officer and VP Exploration
Hamish Greig	Corporate Secretary

George Young	President and director
Richard Meli	Director
David Duval	Director

On August 22, 2011, Hamish Greig resigned as Corporate Secretary and accepted the new office of VP Investor Relations. The Company appointed Kelly Fielder as a director of the Company, Corporate Secretary and VP Operations. Stephanie Martel was also appointed the office of VP Administration.

Financing

In conjunction with the Transaction, the Company closed a concurrent private placement (the "Financing") of $11,500,000 on December 22, 2010. The Company engaged MGI Securities Inc. and PI Financial Corp. as agents (the "Agents") in connection with the financing. Part of the financing was concluded on a non-brokered basis. The financing consisted of 10,000,000 subscription receipts ("Subscription Receipts") priced at $1.00 per Subscription Receipt for gross proceeds of $10,000,000 In addition the Agents fully exercised the option granted by the Company to sell an additional 1,500,000 Subscription receipts at the same issue price for additional proceeds of $1,500,000. Upon completion of the transaction each subscription receipt was automatically converted into one unit of the Company, each unit consisting of one common share 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 from closing (January 28, 2012). The Subscription Receipts and the underlying common shares and warrants were subject to a four month hold period that expired on April 22, 2011. The Company paid cash commissions of 6% of the gross proceeds raised on the brokered portion of the offering, and issued agent's warrants of 6% of the number of shares sold pursuant to the brokered portion of the offering.

On April 14 and April 26, 2011, the Company completed a private placement of 8,180,906 and 1,025,123 Units respectively, at $1.55 per unit for total proceeds of $14,269,345. 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 for 12 months following closing. The Company agreed to pay its agents a 1% cash commission on the funds raised from certain purchasers (3,225,806 Units) and a 6% cash commission on the remainder of the funds raised. The Company also issued 391,071 agent's warrants entitling the agents to purchase one common share of the Company at a price of $2.25 for 12 months following closing. The securities issued under the Private Placement were subject to a hold period pursuant to applicable Canadian securities laws and the rules of the TSX Venture Exchange expiring on August 15, 2011. Lion One will use and has used the net proceeds of the Private Placement for exploration and development work on its projects in Fiji, principally the Tuvatu Gold Project and for general working capital purposes.

THE TUVATU GOLD DEPOSIT

The Tuvatu Gold Deposit is the principal asset of the Company and since completion of the Transaction in January 2011 the Company has focused upon expanding the known mineral resource. Historically, previous operators concentrated on exploitation of the high grade epithermal gold mineralization. The Company's ongoing trenching and core re-log and re-sampling programs has identified significant intervals of near surface epithermal and porphyry related gold mineralization. The success of this program, together with recent increases in commodity prices has allowed the Company to reassess the lower grade, bulk tonnage potential of the precious and base metal mineralization hosted at Tuvatu. As a result, Management has revised the exploration program(s) proposed in the the technical report titled "Technical Report and Resource Estimate on the Tuvatu Gold Property, Viti Levu, Fiji" dated October 1, 2010 by P&E Mining Consultants Inc., that focused on the delineation and exploitation of the previously identified high grade epithermal veins. The revised program has, and will continue to focus on the identification and delineation of lower grade but potentially significantly greater volume of precious metal mineralization generally associated with porphyry gold deposit models.

NI 43-101 Technical Report

During the current fiscal year the Company received the technical report titled "Technical Report and Resource Estimate on the Tuvatu Gold Property, Viti Levu, Fiji" dated October 1, 2010 by P&E Mining Consultants Inc. (the "P&E Report"). While the Company's recent exploration focus has been on the identification of a lower grade, bulk tonnage deposit, the existing current mineral resource estimate in the P&E Report is none the less a substantial resource. The Executive Summary of the P&E Report states:

> *Tuvatu encompasses the concessions SPL 1283, SPL 1296 and SPLA 1465 which are located 24 kilometres northeast of the town of Nadi, in the western part of Viti Levu, Fiji. The tenements total an area of 105.65 square kilometres. The tenements are located in the upper reaches of the Sabeto Valley within a NNE trending zone of shoshonitic volcanic rocks and minor associated intrusions defined by a series of gravity lows and mineralization occurrences..*
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> *Gold mineralization in the Tuvatu area is dominantly hosted in monzonite units but also occurs in the volcanic units. The mineralization is structurally-controlled and is considered to have a close association with the emplacement of the monzonite intrusive body. It occurs as sets and networks of narrow veins and cracks, with individual veins generally ranging from 1 to 200 mm wide. Zones of veining which comprise the lodes may be up to 5 m wide. A number of different lode structures were identified in the resource area including eleven lodes in the Upper Ridges area, two lodes in the Murau area, three lodes in the West area, two lodes in the Tuvatu area and the flatmakes in the SKL area. In addition a number of the other lodes have been identified in the local are but remain untested...*
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> *From 1995 to 2001, TGM conducted several phases of exploration including significant underground development and exploration and completed an in-house mining study (scoping study). Overall, TGM completed 51,484 m of diamond core and 9,265 m of reverse circulation surface drilling, as well as 13,407 m of underground drilling. A total of 1,341 m of decline, strike and rise development were also completed in the mine area including a 600 m long access decline from the valley floor that intersects the Upper Ridges lodes 240 m below surface...*

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The Tuvatu Project was visited by Mr. F. H. Brown M.Sc. (Eng.), CPG, Pr.Sci.Nat. of P&E in July 2010, Mr. Brown selected drill core from a constrained sample database for data verification purposes.

The P&E 2010 Resource Estimate has an effective date of August 1, 2010.

Gold assay and data entry were checked and the use of the historic data was validated. A NI 43-101 compliant resource estimate using these data and a 2.0 g/t Au cut-off established Indicated and Inferred Resources as follows:

Mineral Resource estimate at a 2.0 g/t Au cutoff[1,2] as of August 1, 2010

	Indicated			Inferred		
	Tonnes x 1000	Grade g/t	Au ozs x 1000	Tonnes x 1000	Grade g/t	Au ozs x 1000
Sulphides	760	7.05	172	2,502	5.78	465
Oxides	0	0	0	116	4.15	15
TOTAL	760	7.05	172	2,618	5.71	480

(1) Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

(2) The quantity and grade of reported inferred resources in this estimation are conceptual in nature. There is no guarantee that all or any part of the Mineral Resource will be converted into Mineral Reserve.

P&E have not established a mineral reserve estimate for the Tuvatu deposit. The mineral reserve estimate used by Emperor for their in-house 2000 feasibility study is historical in nature and should not be relied upon. P&E have not verified or approved the reserve estimate. It should be further noted that the historical resource estimate used by Emperor as the basis of the pre-feasibility study has been superseded by the NI 43-101 compliant resource estimate that is the subject of this report.

Summary of Exploration & Development Activities & Results

The Tuvatu property lies within a north-west trending belt that hosts a number of alkaline volcanic centers. These include the Vatukoula Gold Mine located approximately 50 km's north east of Tuvatu. Low sulphidation, epithermal gold veins at Tuvatu occur along the margins of the eroded Navilawa volcanic center in a multi-phase geologic environment that also hosts porphyry copper-gold and VMS style mineralization. The Fijian Islands themselves are situated along the margins of the SW Pacific Rim regional tectonic plate, the host of a number of world class epithermal gold-silver and porphyry copper-gold deposits that include Lihir, Porgera, Misima, Ok Tedi and Bougainville.

Lion One Metals commenced a first phase exploration program on the Tuvatu Gold Project during the third quarter of the current fiscal year. This ongoing program consists of an extensive trenching and surface mapping program of the mineralized zones identified on surface south from the portal of the Tuvatu Gold Deposit decline. The decline had been completed by Emperor Mines in 2000. To date in excess of 2,000 m's of trenching has been completed in the immediate area of the Tuvatu Resource Area. With limited surface exposure, trenching has been found to be a very efficient and cost effective method of exploration.

While previous operators have focused on the exploitation of the high grade, narrow vein mineral resource with a tenure of in excess of 8 g/t Au, the Company has initiated a program to assess the lower grade, bulk tonnage potential on parts of the property that may be amenable to open pit extraction. This exploration strategy was formulated in part from observations at the Vatakula/Emperor Gold Mine (7 million + oz of Au produced to date plus 4.3 million oz Au resource and 680,000 oz Au reserves) where mineral reserves with an average grade below 1 g/t Au are currently being exploited. Tuvatu shares many similarities with Vatakula including high grade tenure, mineralogy, deposition history and deposit model (i.e. low sulphidation epithermal deposit associated with alkali porphyry intrusive rocks) etc. With this information and a positive price environment, Company geologists have began to focus their attention on broad zones of mineralization with grades ranging from 0.4 g/t to in excess of 100 g/t Au. Historical work at Tuvatu includes over 80,000 meters of surface and underground drilling, metallurgical testing, resource and reserve estimation, completion of a feasibility study (by Emperor and Bateman Engineering) and construction of 1.6 km's of underground workings that include a 700+ m decline and a number of development crosscuts. While JORC compliant mineral reserves had been previously delineated and disclosed by Emperor Mines, current mineral resources estimated in accordance with CIM definitions include indicated resources of 172,000 ounces (760,000 tonnes grading 7.05 g/t Au) and inferred resources of 480,000 ounces (2.618 million tonnes grading 5.71 g/t Au) at 2.0 g/t Au cut off. While the nuggety nature of the gold mineralization necessitated a 40 g/t Au grade cap for resource estimation purposes, numerous intercepts exceed this cap (i.e. up to 1,620 g/t Au across 0.5 m). Cut-off grade for the resource estimate was 2.0 g/t Au. Technical staff are currently assessing the extent of low grade, precious metal mineralization associated with potassic alteration within the intrusive stock. The potential for delineating additional resources both above high-grade caps and below cut-off grades leads management to believe the contained gold content could prove significantly greater than that reflected in the current estimate

Current Exploration Focus:

Building on the success of the initial trenching results the Company decided to extend the program. Excavation of a 400 m wide trench, 1,200 m's south of the portal, exposed several north-south trending lodes included in the current resource base. This 250 m wide zone of alteration and mineralization hosts nine veins (UR1W through UR8). Company geologists are focused on confirming the width, strike and tenure of the high grade core and the lower grade bulk tonnage potential of the entire 250 m wide zone.

Trenching Program:

In January, Company geologists embarked on a test program to determine whether broad zones of lower grade, near surface gold mineralization exist in the hanging and foot walls of the many high grade Au veins exposed either on surface or in the diamond drill holes. To date in excess of 2,500 meters of trenching and/or benching have been completed.

Trench TR 11-01: Excavated across a section of the Core Shed Fault. The balance of the samples consist of single chips taken across a number of cm-scale vein structures of varying orientation hosted in intensely clay-weathered monzonite. Bench BE11-06 was also excavated over the Core Shed Fault, west of TR11-01. Sampling there will provide additional verification of the grade tenor of the Core Shed structure.

Trench TR 11-02: Excavated on higher ground immediately north of the Core Shed Fault. This excavation contained several examples of northeast, northwest, and east-west steeply and shallowly-dipping alteration zones and quartz-clay-sulphide (+/- magnetite and biotite)-bearing veinlets in monzonite. A 2.0 m wide structure strikes northeastward and dips steeply eastward. It consists of a strongly altered, clay-weathered, rusty alteration zone cored and bounded by cm-scale quartz-sulphide-bearing veinlets. This structure is considered part of the Murau Lode system as. Another 0.5 m width is of similar composition strikes north-northwest, dips steeply southwest. These two structures are projected to intersect each other just to the east of the existing trench wall.

Bench BE 11-01: Consists of two separate but proximal excavations in an old drill road bank south of the Core Shed Fault. BE11-01N was excavated in highly to pervasively clay-weathered intrusive rock. Weathering makes it difficult to confirm rock composition however the original rock is believed to be brecciated monzonite or volcanic. Massive monzonite is located in the eastern part. Fine, randomly distributed, rusty iron oxide and biotite-bearing veinlets are present in places but are more notable in the eastern section of the excavation. A 2.0 m wide, intensely clay-altered zone strikes northwest and dips steeply south. BE11-01S contains clay weathered, weakly-altered monzonite. A well defined 0.2 to 0.7 m wide structure was exposed consisting of strong clay and limonite-weathered, former feldspar alteration cored and bounded by quartz-sulphide-bearing veinlets. Two samples TS00871 and TS00873 contain 4.62 and 0.56 g/t Au respectively. This zone is believed to be an extension of the Murau Lodes. Its location north of the Core Shed Fault implies that the Murau Lodes like the Upper Ridges Lodes extend through this older structure.

Bench BE 11-02: Two sections of excavated-cleaned road cut. The first or western portion (BE11-02W) strikes east-northeast. The eastern part (BE1102E) strikes north-northwest. The excavation was designed to expose the Tuvatu/H and UR Lodes north of the Core Shed Fault. 158 samples were taken on BE11-02. Samples consist of continuous sub horizontal 1 m wide, semi-contiguous single or composite chip samples. Rusty-coloured, pervasively clay-weathered breccia and moderately to intensely hydrothermally altered monzonite. Northwest-striking centimetre-scale veinlets and larger poddy patches of biotite-quartz-feldspar with sulphide are present. Locally, relict textures suggest that the intrusive may have been brecciated. Near the eastern end of the Bench veining is more prevalent in what was strongly altered monzonite. Vein structures vary from mm-scale to several centimeters thick and tend to intersect with minimal or no offset. Significant Au results were obtained in samples taken between 23 and 28 m adjacent to the faulted intrusive. Samples TS00885, TS00886, TS00887, TS00888 and TS00889 represent a 4.8 m wide section that contains between 1.28 and 21.80 g/t Au. The weighted average grade is 8.7 g/t Au in this interval. This high grade interval appears to be the surface expression of the north-west striking Tuvatu Lode. Similar styles of mineralization have been exposed on benches down slope to the north - sample results for these occurrences are pending.

With the exception of a 10 m section in its northern portion of the excavation, the vein density in BE11-02E very high with veins ranging from mm-scale to 0.5 m in width. Vein orientation is variable with numerous north-west, north, and east-west trending structures. Both steep and shallow-dipping veins are well represented. Shearing and attendant offsets were present on some structures. Vein mineralogy varies with narrower magnetite-biotite and thicker quartz, feldspar, sulphide structures. The host rock is moderately altered monzonite intrusive. The intensity of the hydrothermal alteration increases near vein envelopes. Pervasive clay-weathering obscures rock textures in the northern portion of the bench.

Samples were taken of individual and groups of veins and interstitial altered wall rock. Two high-grade Au results were obtained. The first high grade result, a quartz sulphide vein grades 23.90 g/t Au across 0.4 m. It is interpreted as the northerly extension of the UR2 Lode. The second result grades 76.0 g/t Au across a relatively flat vein 15 cm wide (TS00397). Two other samples of altered vein material hosted in monzonite contain above 1 g/t Au (TS00406 and TS00411). Several other samples from this zone grade between 0.2 and 0.8 g/t Au. Analysis of the complete assay results from this zone will determine whether the eastern and western sections of the excavation contains material of sufficiently consistent grade to be amenable to surface mining methods.

Bench BE 5W: In May 2011 analytical results from 187 rock samples were received from ALS Laboratory Services. Of the 187 samples, 15 graded between 0.4 g/t Au and 1.0 g/t Au and 22 graded over 1.0 g/t Au. A total of 79 samples were taken from the 135 m long, Bench 5 West, where a broad zone of alteration and mineralization up to 60 m's wide was exposed. This structural corridor consists of highly altered and weathered veins and veinlets within an altered, quartz monzonite host. Mineralization predominately consists of black, crystalline quartz, calcite, chlorite, pyrite, and chalcopyrite. Intervals grading 1.50 g/t Au across 20 m's, 1.19 g/t Au across 11m's, 0.66 g/t Au across 7.5 m's and 0.68 g/t Au across 3.80 m's were exposed. Individual samples graded up to 24.3 g/t Au across 0.33 m's. This zone is located 100 m's south west of the decline portal, parallel to the URW1 load. The results demonstrate the existence of a lower grade, oxide envelope surrounding a high grade core at surface. Precious metal grades are expected to increase below this leached zone. Company geologists will be in a better position to confirm their preliminary observations once the core re-logging and re-sampling program has been initiated. While the incorporation of this lower grade material will decrease the average grade of the deposit, the total mineral resource is expected to increase materially. In addition, incorporation of these resources will also help establish the open pit viability of the project.

The program continues to evaluate other zones with high grade gold on surface as it was evident that this envelope of mineralization was not unique to this exposure. Results obtained subsequent to the year-end added credence to this conclusion as assays obtained in July 2011 identified a broad zone of stockwork veining hosting significant gold grades. Previous exploration work in this area had focused on high grade veins from underground drilling 250 metres below this zone. The stockwork consists of centimeter scale quartz veins and veinletes oriented in several orientations. Full structural geological analysis is currently being completed. Previously excavated benches (i.e. 1, 2 and 4) exhibit similar stockwork veining suggesting a mineralized zone up to 250 metres wide and separated by 90 metres vertically along the upper southern slopes of the Tuvatu Ridge.

Core Re-logging & Re-sampling Program:

During the current fiscal year consultants helped manage the core re-logging and re-sampling program with the principal objective of identifying mineralized intervals that were either ignored or not a concern of past operators because of prevailing precious metal prices at the time. As 3 g/t Au was the historical cut-off grade, Company geologists believe the economic significance of many altered and mineralized zones within the hanging and foot walls have been overlooked. Over 60,000 m's of the 86,000 m's of drilling in over 550 holes completed on the property remain on site. Considering current precious metal prices, the Company's technical staff are of the opinion that 0.4 g/t Au is a reasonable cut-off grade to consider in assessing the economic viability of near surface mineralization. Historical sampling of the core appear to have focused on sections with distinct quartz veining. Often significant intervals in the hanging and foot walls that host weaker veining and potassic and propylitic altered sections have been left un-split and un-sampled. Re-evaluation of this core has the potential to significantly increase future mineral resource estimates by expanding grade envelopes and pit shells.

Results from the first phase of this program were received subsequent to the fiscal year end. Identification of gold-bearing porphyry style mineralization was confirmed from the examination of core from several drill holes and in particular assays from Hole 14, located north of the portal of the Tuvatu exploration decline. Well defined porphyry style alteration associated with ore-grade gold values occurs within structures and has been overprinted by the later stage epithermal veins. Historic work focused only on the high-grade epithermal veins, and while it was recognized that these vein systems overprinted a monzonitic porphyry intrusive host, the potential for the porphyry system to carry ore-grade gold remained unrecognized until now. Hole 14 was resampled to include all porphyry related mineralization over the length of the hole.

Work is ongoing to assess the relevance of the porphyry mineralization and to develop exploration targets for wider zones either along strike or at depth. Significant analytical results from re-logging and re-sampling of DDH 14 include:

From (meters)	**To (meters)**	**interval (meters)**	**Au g/t**	**vein/mineralization style**
20	31.5	11.5	0.59	porphyry
38.5	41.7	3.2	2.28	porphyry
46.5	51.5	5	0.59	porphyry
62	70	8	1.6	porphyry
83.5	93.5	10	.93	mixed
including				
84.4	*85.5*	*1.1*	*4.48*	epithermal vein
		8.5	*0.56*	porphyry
93.5	111.1 (EOH)	18.05	1.58	mixed

Dewatering Program:

On May 6, the Company received formal approval from the Mineral Resources Department to dewater the Tuvatu Adit for the purpose of continuing work as proposed in the work program. Approval was preceded by the application for permits pursuant to the Mining Act and Environmental Management Act and the submission of the report: "Tuvatu Adit Dewatering Plan" drafted by the Company's independent, consulting mining engineer firm, Namawan Investments Limited, of Suva, Fiji. The high grade lodes that comprise the Tuvatu Gold Deposit are currently accessed from 1.6 km's of underground working consisting of a development tunnel and a series of cross cuts completed by a previous operator. The decline had been completed with the objective of test mining the historic mineral reserves and resources reported in a Feasibility Study completed by Emperor and Bateman Engineering in 2000. Dewatering of the decline will require the pumping of approximately 14 million litres of water from the tunnel into a settling pond. Decanted water will be discharged in compliance with the ANZEC Guidelines for Fresh and Marine Water Quality.

Strategic Priorities

The Company is focused on the following strategic priorities:

- Exploration and development of the Tuvatu Gold Deposit including expansion of the existing mineral resource and delineation and assessment of the near surface, lower grade, bulk tonnage mineral resources that may be amenable to lower cost, open pit mining methods;
- Exploration of the other mineral properties acquired through the reverse take-over of AME. Specifically, those earlier stage exploration targets located on the island of Venua Levu;
- Acquiring, financing and exploring other mineral properties, with the objective of attaining mining production. While the Company review's prospects on a ongoing basis, with current resource focused on the Tuvatu Project, an appropriate opportunity has not been identified; and
- Prudent capital management including sourcing future financing for exploring and developing mining properties.

Key Performance Drivers

Management considers the expansion of the existing mineral resource at the Tuvatu Gold Deposit, both along strike and down dip, and the ultimate development of the gold deposit to be its principle objective. The receipt of encouraging results from exploration programs conducted on its other, earlier stage mineral properties in the Fijian Islands is also considered a key performance driver. Sourcing and acquisition of other suitable mineral properties and the arrangement of related financing are also primary drivers to the Company's future success.

Financial Statement Analysis

Selected Annual Information

	Total revenue (interest income)	Loss from continuing operations – total	Loss from continuing operations – per share [1]	Net loss - total	Net loss - per share [1]	Total assets
June 30, 2011	90,702	2,374,083	0.08	2,374,083	0.08	30,062,776
June 30, 2010	Nil	377,672	0.02	377,672	0.02	6,269,782
June 30, 2009	Nil	263,489	0.02	263,489	0.02	5,761,101

Note 1: Basic and diluted – share dilution is not recognized as it would be anti-dilutive

As discussed above, the Company completed an RTO transaction during the current fiscal period. 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. X-Tal was not considered a business for accounting purposes pursuant to EIC Abstract No. 124 – Definition of a Business. The transaction has therefore been accounted for as an issuance of shares by AME for the net monetary assets of X-Tal.

Pursuant to the RTO transaction, the consolidated financial statements for the years ended June 30, 2011 and 2010 include the consolidated 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 name of the legal parent (Lion One Metals), 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.

AME acquired current assets of $11,795,973 including cash of $11, 517,503 and assumed liabilities of $11,820,819 from X-Tal. Costs associated with the RTO totaled $167,040. These costs where paid by X-Tal and are included in the pre-amalgamation deficit balance.

Results of Operations – Year ended June 30, 2011 compared with year ended June 30, 2010:

The Company's net loss for the year ended June 30, 2011 was $2,374,083 ($0.08 per diluted share), compared with $377,672 ($0.02 per diluted share) for the year ended June 30, 2010.

		Year ended June 30, 2011		Year ended June 30, 2010 (Note 17)
GENERAL AND ADMINISTRATIVE EXPENSES				
Consulting fees (note 8(e))	$	187,462	$	13,000
Foreign exchange (gain) loss		19,420		(75,997)
Licenses, dues and other fees		8,447		-
Investor relations (notes 8(c) and(e))		269,857		-
Management fees (note 8(c))		455,622		116,796
Office and miscellaneous		33,975		4,746
Professional fees		111,809		39,559
Rent (note 8(c))		72,829		-
Shareholder communications and regulatory filings		35,645		-
Stock based compensation (note 11)		1,053,058		252,969
Travel		216,661		26,599
Operating Loss		2,464,785		377,672
OTHER INCOME				
Interest income		(90,702)		
Net loss and other comprehensive loss for the year		2,374,083		377,672
Basic and diluted loss per share amounts (note 9(e))	$	0.08	$	0.02
Weighted average common shares outstanding		30,548,259		21,108,543

See accompanying notes to consolidated financial statements.

The significant items for the year period ended June 30, 2011, compared to the year ended June 30, 2010, were:

a. Investor relations of $269,857 (2010: $ Nil) relate to a marketing campaign subsequent to the Company's initial public offering. This amount includes bonuses of $62,500 paid to each of the president and VP Investor Relations.

b. Professional fees of $111,809 (2010: $39,559). The increase in professional fees relates to the cost of having quarterly financial statements reviewed by the Company's auditors, the annual audit fee and legal fees regarding general corporate matters.

c. Consulting fees of $187,462 (2010: $13,000) relate to fees of $166,875 in payment of the President's salary. Other incidental consulting fees were incurred for information technology, legal and other purposes.

d. Management fees of $455,622(2010: $116,796). The management fees are paid to Cabrera Capital Corp. (see transaction with related parties below). Management fees consist of salaries and benefits, business administration shareholder services, securities administration, and corporate services. The major components of management fees are: salaries and benefits of $375,503 (2010 - $56,533), consulting costs of $18,493 (2010- $30,514), office supplies of $21,396 (2010 - $20,058), and telephone costs of $40,230 (2010 - $9,691). Salaries and benefits increased due to the hiring of several new employees including a CFO, Vice President Exploration, Controller, senior accountant and other investor relations and administrative staff. The decrease in consulting costs is attributable to the CFO being paid as a consultant in fiscal 2010. Telephone costs increased due to having more employees, with increased communication to staff in Fiji and with world-wide investor relation campaigns.

e. Travel of $216,661 (2010: $26,559) incurred in conjunction with various corporate activities, the financing and the reverse take-over transaction.

Share Capital

At June 30, 2011, the Company had 48,336,586 common shares issued and outstanding. On August 10, 2011, 41,000 common shares were issued on exercise of stock options. At the date of filing, 48,377,586 common shares are issued and outstanding.

The Company issued $11,500,000 in Subscription Receipts on December 22, 2010. 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 from closing of the transaction and listing of the Company's commons shares on the Exchange (January 28, 2012).

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 between 1% and 6% of the gross proceeds 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 and April 26, 2012 respectively.

The following table summarizes information about the options outstanding at June 30, 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	136,667	October 25, 2015
May 25, 2011	1,685,000		1.40	-	May 25, 2016
	4,085,000			1,263,311	

On July 25, 2011 a further 200,000 options were granted at an exercise price of $1.40. On August 10, 2011, 41,000 options were exercised. As at the date of filing, 4,244,000 options were outstanding of which 1,222,311 exercisable.

The following tables summarize information about warrants outstanding at June 30, 2011 and at the date of filing:

Expiry Date		Exercise Price	Number of warrants outstanding
December 22, 2011	$	2.00	5,750,000
April 14, 2012		2.25	4,090,453
April 26, 2012		2.25	512,562
			10,353,015

The following tables summarize information about agent's warrants outstanding at June 30, 2011:

Expiry Date		Exercise Price	Number of agent's warrants outstanding
December 22, 2011	$	1.00	291,570
April 14, 2012		2.25	329,564
April 26, 2012		2.25	61,507
			682,641

On September 27, 2011, 204,000 agent's warrants were exercised at an exercise price of $1.00. Therefore there are 478,641 agent's warrants outstanding as at the date of filing.

Liquidity

The Company had cash and cash equivalents totalling $20,829,922 at June 30, 2011 as compared to $140,571 at June 30, 2010. The working capital deficit of $153,816 at June 30, 2010 became a surplus of $21,139,302 as at June 30, 2011. Funds used for operating activities during the year ended June 30, 2011 and the year ended June 30, 2010 were $1,807,340 and $260,658 respectively. The increase is primary attributable to increases in consulting and management fees, salaries and benefits, and travel related to the management of a public company engaged in mineral exploration.

The financial statements for the year ended June 30, 2011, have been prepared on the basis of accounting principles applicable to a going concern. This assumes that the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. 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.

The Company's principal liquidity needs for the next twelve months are to:

- fund the exploration and development program of the Tuvatu Gold Deposit and the other mineral properties acquired by the reverse take over;
- fund future acquisitions, if any and;
- fund recurring (including general and administrative) costs.

Capital Resources

The Company will have to rely upon equity financings to satisfy its capital requirements. There can be no assurance the Company will be able to obtain the financing required in the future on acceptable terms.

December 22, 2010 Financing

Principal uses of funds raised in the financing:

	Estimated Amount	Amount Spent to June 30/2011
Funds raised plus cash on hand	$ 11,517,503	
Costs of the RTO	167,040	$ 167,040
Cash costs of the offering	620,715	620,715
Phase I of the exploration and development program	5,295,000	1,293,549
Phase II of the exploration and development program	1,200,000	-
De-watering capital and operating costs for the next 12 months	708,000	-
General and administrative costs for next 12 months	2,250,000	1,079,896
Payment of related party debt, and other working capital balance	472,373	1,018,843
Unallocated working capital to fund on going operations	804,375	
Remaining cash and cash equivalents as at June 30, 2011		7,337,460
	$ 11,517,503	$ 11,517,503

The estimated amounts as indicated may be changed based on results obtained and prevailing economic conditions.

April 14 and April 26, 2011 Financings

The total funds raised from the April 14 and April 26, 2011 financings were $14,269,345. The cash costs of the offering were $776,884 leaving net proceeds of $13,492,461. None of these funds have been spent to date.

Capital requirements:

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 the following minimum amounts on exploration activities.

	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	$ 11,042	$ 4,200,000	$ 2,318,820
SPL 1465	1-Jul-10	30-Jun-13	10,000	5,521	1,800,000	993,780
SPL 1467	1-Jul-11	30-Jun-12	11,000	6,073	110,000	60,731
SPL 1468	1-Jul-11	30-Jun-12	4,000	2,208	40,000	22,084
As at June 30, 2011			$ 45,000	$ 24,844	$ 6,150,000	$ 3,395,415

Annual expenditure commitment for SPL 1283/1296 and SPL 1465 are Fijian $ 1,400,000 and Fijian $600,000 respectively.

On May 31, 2011, 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$805,000 (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 purchase is contingent on Fijian government approval of the transfer. The Company expects the acquisition to close in the second quarter of fiscal 2012.

Quarterly results

Fiscal quarter ended	Total interest income	Loss from continuing operations – total	Loss from continuing operations – per share [1]	Net loss - total	Net loss - per share [1]
June 30, 2011	59,020	1,158,230	0.02	1,158,230	0.02
March 31, 2011	31,682	860,945	0.03	860.945	0.03
December 31, 2010	Nil	149,967	0.01	149,967	0.01
September 30, 2010	Nil	204,941	0.01	204,941	0.01

Note 1: Basic and diluted – share dilution is not recognized as it would be anti-dilutive

Note 2: Prior to September 30, 2010, quarterly results were not required to be prepared for the Company as it was not a reporting issuer. As discussed in the notes to the financial statements, it is impracticable to prepare prior quarterly results.

The Company's expenditures have increased materially in the last quarter as exploration and development (E&D) activities in Fiji have expanded. As E&D has increased in Fiji, head office expenditures in Vancouver have also increased as financing, investor relations, travel and administrative activities and functions have likewise also had to be expanded. Stock based compensation (a non-cash item) for the year ended June 30, 2011 is significantly higher than that recorded for the year ended June 30, 2010 due to the October, 2010 and May, 2011 stock option grants and the compensation related to the trust shares being recognized. Interest of $90,702 was recorded for the period and reflects accrued amounts on deposit from the December, 2010 and April, 2011 private placements.

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

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 was received 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. 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 fiscal 2011, total management fees and rent in the amounts of $905,046 and $87,395 respectively were paid by AME, X-Tal, and the Company. AME incurred management fees of $105,938 (2010 - $74,306) prior to the RTO, of which $10,523 (2010 - $Nil) was recorded as an investor relations expense. X-Tal incurred management fees of $243,107 and rent of $14,566 prior to the RTO these amounts are included in X-Tal's deficit pursuant to RTO accounting. After completion of the transaction, the Company paid $72,829 in rent and incurred management fees of $556,001 of which $55,255 was capitalized to mineral property and deferred exploration costs and $130,429 was recorded as an investor relations expense. 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.

During the year, the Company advanced funds to Cabrera as a prepayment of management fees. At June 30, 2011, the Company had a receivable from Cabrera of $112,528. Management fees charged subsequent to the year-end were reduced by the amount of the receivable. In the prior year, AME owed Cabrera $79,084 related to unpaid management fees.

At June 30, 2011, $23,193 (2010 - $10,751) was due from a company having directors in common with the Company. Subsequent to year end, the Company paid Fijian $66,000 to a local Fijian government agency on behalf of this company. The funds were repaid to the Company 8 days later.

In the prior fiscal year, a further $200,000 was due to companies under common control. This balance was paid in full during the year.

Included in accounts payable and accrued liabilities are amounts due to a director of the Company of $Nil (June 30, 2010 – $20,248). Included in other receivables is an amount due from an officer of the Company of $5,203. These amounts are non-interest bearing, are payable on demand and are settled on a current basis in the normal accounting cycle.

During the year ended June 30, 2011, consulting fees of $272,500, including an $80,000 bonus paid on completion of the RTO were paid to a director and officer of the Company. Of this amount $24,375 was capitalized to mineral properties and deferred exploration costs, $81,250 was included in investor relations expense, and the remainder is included in consulting fees. In the fourth quarter a director and an officer of the Company were paid a $62,500 bonus each. The bonuses are included in investor relations expense. The bonuses were paid for services relating to the April, 2011 financing.

The transactions with related parties were measured at the exchange value which represented the amount of consideration established and agreed to by the parties.

Risks and Uncertainties

Country Risk

The Company's financial position and its future development projects may be affected by political or economic instability. These risks may include exposure to fluctuations in currency exchange rates and high rates of inflation.

Operations of future exploration properties may be affected by varying degrees by such factors as government regulations with respect to price controls, income taxes, expropriation of property, environment legislation, land use, water use and land claims. The effect of these factors will depend on the location of the mineral properties and cannot be accurately predicted.

Critical Accounting Policies and Estimates

Future Changes in Accounting Policies

(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".

(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".

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

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly accountable companies to use IFRS, replacing Canadian GAAP. Consequently, IFRS will be applicable for interim and annual financial statements relating to the fiscal periods beginning on or after January 1, 2011. The year ending June 30, 2012 will be the Company's first financial year for reporting under IFRS. The transition date of January 1, 2010 will require the restatement for comparative purposes of amounts we report for the year ended June 30, 2011. The Company's IFRS implementation plan addresses project management, accounting policy changes, reporting and disclosure changes, training, communication and business impacts. The following progress has been made in these areas:

In 2010, we commenced our plan to convert our consolidated financial statements to IFRS at the changeover date of July 1, 2011 with comparative financial results for the period ending June 30, 2011. The Company's IFRS transition plan addressing the IFRS conversion impact on financial reporting consists of three phases:

- scoping and planning,
- design and build, and
- implementation and reviewing.

The scoping and planning phase was completed in the third quarter of fiscal 2011. This phase included a high-level impact assessment to identify key areas that may be impacted by the transition to IFRS. This resulted in the prioritization of high, medium and low impact areas of focus for the Company based on potential to significantly impact our consolidated financial statements.

The second phase was initiated during the fourth quarter of fiscal 2011. The progress in detailed analysis and evaluation on high and medium impact areas was slower than our plan, mainly due to the closing of the AME acquisition by the Company and the availability of appropriately knowledgeable staff by our outside consultants. This phase is now substantially complete with documentation assessing the differences between relevant GAAP and IFRS differences completed.

Once the audit of the fiscal 2011 financial statements is completed, the implementation phase will be initiated. This phase includes implementation of changes identified in second phase two affecting financial reporting, internal controls and businesses, finalization and approval of accounting policy choices and IFRS 1 exemptions, and training of accounting and other staff, as necessary. The overall IFRS transition is expected to be completed on schedule and we will issue our first interim consolidated financial statements in accordance with IFRS as issued by the IASB beginning with the first quarter ending September 30, 2011 with comparative interim IFRS financial results for the quarter ending September 30, 2010.

IFRS Changeover plan status

The Company expects the transition to IFRS to impact financial statement preparation, infrastructure and control environment, as well as certain business activities. Management has developed an IFRS conversion plan covering activity areas, and the status of the changeover plan in the key activity areas is as follows:

KEY ACTIVITIES	STATUS
Financial statement preparation: • Identification of differences in IFRS and Canadian GAAP accounting policies • Selection of the Company's ongoing IFRS policies • Selection of the Company's IFRS 1	• The Company has identified differences between our accounting policies under Canadian GAAP and accounting policy choices under IFRS, both on an ongoing basis and with respect to certain choices available on conversion under IFRS 1.

choices • Quantification of effects of change in initial IFRS 1 disclosures and IFRS compliant 2010 financial statements	• See the sections below for discussion of optional exemptions under IFRS 1 that the Company expects to elect on transition to IFRS and accounting policy changes that management considers most significant to the Company.
Infrastructure: Development of IFRS expertise	• The Company has been providing training courses for head office staff. • KPMP Fiji Staff who assist in the accounting function are proficient in IFRS as Fiji converted to IFRS in 2004.
Infrastructure: Development of systems solution for transition period and post-conversion period in: • Processing changes • Program upgrades/changes • Gathering data for disclosures • Scope of consolidation package • Budget/plan/forecast monitoring process	• The Company has assessed the impact on system requirements for the conversion and post-conversion periods and expect there will be no significant impact on applications arising from the transition to IFRS. • Additional modules for accounting software and sub-ledgers necessary for post-conversion period are being identified as accounting policy choices are analyzed.
Control Environment: Internal Control over Financial Reporting (ICFR) • For all accounting policy changes identified, assessment of ICFR design and effectiveness implications • Implementation of appropriate changes	• We have identified the required accounting process changes that result from the application of IFRS accounting policies; these changes are not considered significant. • As part of the transition project, we will complete the design, implementation and documentation of the accounting process changes that result from the application of IFRS accounting policies.
Control Environment: Disclosure Controls and Procedures (DC&P) • For all accounting policy changes identified, assessment of DC&P design and effectiveness implications • Implementation of appropriate changes, in particular: o Revision of MD&A communications	• We continue to provide IFRS project updates in quarterly and annual disclosure document.

package
- o Development of IFRS related queries response process in investor relations

Business Policy Assessment: Financial Covenants
- Identification of impact on financial covenants and business practices
- Completion of any required renegotiations/changes

- No financial covenants exist on current agreements; therefore, there is no impact on the financial covenants and business practices due to changeover.

Business Policy Assessment: Supplier Contracts
- Evaluation of impact on supplier contracts
- Completion of any required renegotiations/changes

- Major supplier contracts have been reviewed.
- The terms of contracts are not impacted by IFRS and thus, no changes are required.
- The Company does not have any customer contracts.

Business Policy Assessment: Taxation
- Identification of impact on taxation in foreign jurisdiction
- Revision of tax planning as required

- Identification of the tax impact in Fiji is in progress.

Business Policy Assessment: Compensation Arrangements
- Identification of impact on compensation arrangements
- Implementation of required changes

- Review of compensation has been completed.
- Compensation arrangements that are in effect are not impacted by changeover to IFRS.
- Management is aware of IFRS impact to share-based payments. The changes to the share-based payment requirements will be taken into consideration when designing the terms and conditions of future share option issuances.

Summary of impact on key areas

1. IFRS 1 - First-time adoption IFRS

First-Time Adoption of International Financial Reporting Standards (IFRS 1) provides entities adopting IFRS for the first time a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The following are the optional exemptions available under IFRS 1 that the Company expects to elect on transition to IFRS. The Company continues to review all IFRS 1 exemptions and will implement those determined to be most appropriate in our circumstances on transition to IFRS and up to the audit of the year-end financial statements at June 30, 2012. The list below and associated comments should not be regarded as a complete list of IFRS 1 exemptions that are available to the Company as a result of the transition to IFRS.

EXEMPTIONS AVAILABLE	DESCRIPTION
Business combination	Under this exemption, the Company has the option to apply IFRS 3, retroactively to all business combinations or may elect to apply the standard prospectively only to those business combinations that occur after the date of transition. If available, the Company intends to use this exemption which removes the requirement to retrospectively restate all business combinations prior to the date of transition to IFRS 3, that are equivalent to the principles of CICA Section 1582 under Canadian GAAP. However analysis of the Company's acquisition of Laimes International Inc. in 2008 suggests the purchase may be a related party transaction and as such prospective application of this exemption might not be available to it and retroactive restatement may be required.
Share-based payment transactions	IFRS 1 encourages application of IFRS 2 to equity instruments that were granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company intends to apply this exemption to equity instruments that were granted on or before on or before November 7, 2002 and those granted after November 7, 2002 and vested before the date of opening IFRS balance sheet.
Fair value or revaluation as deemed cost	This exemption allows the Company to initially measure an item of property, plant and equipment upon transition to IFRS at its fair value and use that fair value as its deemed cost at that date. The Company does not intend on using this exemption that deems the fair value of specifically identified items of property, plant and equipment on

the date of transition to be the deemed costs.

Cumulative translation differences	This exemption permits the Company to reset the cumulative translation differences to zero by recognizing the full amount in the retained earnings of the opening IFRS balance sheet. The Company intends to use this exemption and deem all cumulative translation differences to be zero at transition date.
Decommissioning liabilities included in the cost of property, plant and equipment	IFRS 1 provides the option to measure the restoration provision at the transition date in accordance with the requirements of IAS 37. Accordingly the Company can choose to re-measure the provisions as at transition date under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and estimate the amount to be included in the cost of the related asset by discounting the liability to the date which the liability first arose. The Company is permitted to calculate this using the best estimates of the historical rate-adjusted discount rates, and recalculate the accumulated depreciation under IFRS up to the transition date. The Company does not intends on using this exemption as it has not as of yet incurred any ARO's .

2. Impact on key financial statement areas

Based on an analysis of Canadian GAAP and IFRS in effect as at December 31, 2010, we have identified several differences between our current accounting policies and those expected to apply in preparing IFRS financial statements. Information on the key differences that management considers most significant to our financial statements are summarized below. The impact from IFRS 1 exemption choices

FINANCIAL STATEMENT ISSUE	IFRS & CANADIAN GAAP DIFFERENCES & STATUS

Exploration for and evaluation of mineral resources (E&E)

IFRS 6 permits a reporting entity to choose an accounting policy to expense or capitalize E&E expenditures, while capitalizing other E&E expenditures, as long as the accounting policy is applied consistently. IFRS 6 requires us to value E&E assets using a cost or a revaluation model subsequent to initial recognition. E&E assets may be disclosed as either tangible or intangible asset under IFRS. Entities may test impairment of E&E assets on a multiple cash-generating unit basis under IFRS, as long as such policy is established.

Under Canadian GAAP, the Company capitalizes resource property acquisition as mineral interests and exploration and development costs as a component of Deferred Exploration Costs. Under IFRS, the Company has elected to capitalize E&E costs. As a result of this election, no change in current accounting policy will occur.

Property, plant and equipment (PP&E)

IAS 16 requires entities to value PP&E using a cost or a revaluation model subsequent to initial recognition. Where a significant component of PP&E has a cost that is significant in relation to the cost of the item as a whole, it must be depreciated separately from the remainder of the item.

The Company intends to apply the cost model for subsequent valuation of PP&E.

Impairment of assets

Under IAS 36, we are required to assess, at the end of each reporting period, whether there is any indication that an asset may be impaired. If such an indication exists, the entity shall estimate the recoverable amount of the asset by performing a one-step impairment test, which requires a comparison of the carrying value of the asset to the higher of value in use and fair value less costs to sell. Value in use is defined as the present value of future cash flows expected to be derived from the asset in its current state. IAS 36 allows reversal of impairment losses where circumstances have changed such that the impairments have been reduced.

Under Canadian GAAP, there is a two-step impairment test in which (1) undiscounted future cash flows are compared to the carrying value; and (2) if those undiscounted cash flows are less than the carrying value, the asset is written down to fair value. The use of a one-step process to test for impairment under IFRS as compared to a two-step process under Canadian GAAP may result in more frequent impairment charges where carrying amounts of mining interests may have been supported under Canadian GAAP on an undiscounted cash flow basis, but cannot be supported on a discounted cash flow basis under IFRS.

The Company's assessment of impairment indicators did not result in any additional requirement for impairment tests on transition to IFRS.

Share-based payment (SBP)	IFRS 2 requires each installment of share-option grant to be measured as a separate award, if share options vest at different times. We are required to estimate forfeitures upfront in the valuation of share options, whereas under Canadian GAAP, they can be recorded upfront or recorded as they occur. The Company has not calculated the measurement differences for the share options that were unvested as of July 1, 2010. The adjustment, if any, will be to decrease contributed surplus and increase the deficit.
The effects of changes in foreign exchange rates	Under Canadian GAAP, there are various indicators to be considered in determining the appropriate functional currency of a foreign operation and such indicators are similar to those under IFRS. When the assessment of functional currency under IFRS provides mixed indicators and the functional currency is not obvious, priority is given to certain specific indicators. Since the determination of the functional currency requires the exercise of judgment based on the evaluation of all relevant information, differences in assessment under IFRS and Canadian GAAP may arise. The Company has completed its assessment and determined that a change in the functional currency of the foreign operations is not required on conversion to IFRS. There is no impact on the opening balance sheet.
Provision, contingent liabilities and contingent assets	IAS 37 requires a provision be recognized when there is a present obligation as a result of a past transaction or event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation. Under Canadian GAAP, we recognize a provision when an outflow of resources is likely, which is a higher threshold than probable. IAS 37 measures the provisions using a mid-point of a range, whereas Canadian GAAP uses the lowest value. For material provisions, IFRS requires the provisions to be discounted. The Company has completed its assessment and determined that no additional provisions require recognition on adoption of IFRS.
Income taxes	Canadian GAAP does not recognize deferred tax assets or liabilities arising from the effect of exchange rate movements on the tax base of non-monetary assets or liabilities measured in a functional currency that is different than the presentation currency; these are all recognized under IFRS. IFRS also has a different approach to recognizing and measuring uncertain tax positions (falling within the approach set out for provisions above). Other differences may also arise in specific circumstances. In accordance with IAS 12, deferred income taxes are not recognized for

temporary differences that arise from differences between the fair values and tax bases of assets acquired in a transaction other than a business combination. Under Canadian GAAP, deferred income taxes are recognized for such temporary differences

Adjustments to the deferred tax assets and liabilities will be recognized on adopting IFRS. Quantification of the impact is ongoing..

There are potentially other differences between IFRS and Canadian GAAP that may be applicable to the Company. The IASB continues to amend and add to current IFRS with several projects underway. The Company's transition plan includes monitoring actual and anticipated changes to IFRS and related rules and regulations and assessing the impact of these changes on the Company and its financial statements, including expected dates of when such impacts are effective.

Use of Estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of the Company's ongoing evaluation of these estimates forms the basis of making judgements about the carrying values of assets and liabilities and that reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions.

Management Reporting

The Company's Board of Directors has approved the information contained in the audited financial statements and this MD&A. The Board of Directors fulfills its responsibility regarding the financial statements mainly through its Audit Committee, which has a written mandate which complies with the current requirements of Canadian securities legislation.

Disclosure Controls and Procedures ("DC&P") and Internal Controls Over Financial Reporting ("ICFR")

The Company is a venture issuer and, as such, is not required to certify the design and evaluation of the issuer's DC&P and ICFR. While the Company has not completed such an evaluation, management has contracted an independent expert to review its DC&P and ICFR. The inherent limitations on the ability of the Chief Executive Officer and the Chief Financial Officer to design and implement, on a cost effective basis, DC&P and ICFR for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filing and other reports provided under securities legislation.

Certain matters regarding the Company's DC&P and ICFR and the limitations for a company of this size are discussed below

DC&P

Our DC&P are the internal systems, controls and procedures we have established to provide reasonable assurance that material information used internally and disclosed externally is reliable and timely. However, a control system, no matter how well conceived or operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met.

The principal forms of information and means of disclosure in the Company, which are governed by its DC&P, continuous disclosure obligations under securities regulations, periodic news releases, the Company's website, and its investor relations materials and presentations. These materials are prepared by management. All materials disclosed are reviewed and approved by a Director. This review and approval process is documented in written or electronic form.

ICFR

Overview

The Company's ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable Canadian GAAP. ICFR should include those policies and procedures that establish the following:

- Maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of the Company's assets;
- Reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable Canadian GAAP;
- Receipts and expenditures are only being made in accordance with authorizations of management and the Board of Director;
- Reasonable assurance regarding prevention or timely detection of unauthorized collection, use or disposition of the Company's assets that could have a material effect on the financial statements.

Discussion of Risk Factors and Compensating Factors

The Company is characterized, among other matters, by the Company's small size and number of employees. This is a common situation for companies at this stage of development as a business. The Company finds itself further characterized by a number of factors recognized in accounting literature as typical for many small businesses, which provide inherent limitations to the design of ICFR in such companies. These include:

- Limited staff and segregation of duties;
- A concentration of decision-making power and the potential for management override;
- Limitations on board and audit committee oversight.

In general terms, we have attempted to mitigate the risks posed to ICFR by these factors by employing or recognizing the following:

- Employment of experienced financial professionals with extensive accounting and financial reporting expertise;
- Imposition of supervision and review of accounting transactions to an extent considered reasonable within the limitations of staff size;
- Extensive and detailed analytical review of financial statement items, before statements are published, by both supervisory and executive financial personnel;
- Recognition that the same concentration of decision-making power and the associated potential for management override also arise from an intimate day-to-day knowledge of the Company's financial and other transactions and an intimate understanding of predicted financial accounting outcomes;
- Use of third party professional accounting expertise to assist with certain complex accounting standards;
- Notification to the Company's external auditors of the ICFR environment in which we operate to provide them with the opportunity to have the appropriate audit procedures.

Previously identified weaknesses in ICFR include:

Limited Segregation of Duties

To remedy the previous weakness and reduce the inherent risks associated with limited segregation of duties , during the current fiscal year the company hired a new Chief Financial Officer and Controller who are both Chartered Accountant's and a new accountant who is a Certified General Accountant. The Company's transactions and journal entries are entered by the accounting staff with detailed review and approval required by the CEO, CFO or other authorized senior management with oversight from the directors of the company. In addition, all significant purchases and payments in Fiji are approved by two authorized persons at Head Office with payment being made by cheques from funds deposited in a trust account maintained with KPMG (Fiji).

Limited Use of Formal Operating, Accounting and Authorization Policies and Procedures

To remedy the previous weakness and reduce the inherent risks associated with the limited use of formal operating, accounting and authorization policies and procedures, management has formalized accounting policies and procedures and instituted Standard Operating Procedures (SOP's) over its operations in Fiji. In addition the Company's CFO and Controller conduct extensive analytical review of financial statement items and operations. An integral part of the procedure is the detailed review and approval by the Audit Committee.

Limitations on Board and Audit Committee Oversight

To remedy the previous weakness a Code of Conduct has been completed and has been circulated to all directors, officers, employees and consultants of the Company for execution. The Company has an Audit Committee Charter in place and a Whistle Blower policy. The Company is in the process of drafting and adopting a Charter for Corporate Governance and Nominating Committee of the Board of Directors.

Relationship to DC&P

Under the above Section "DC&P," management acknowledges its responsibility to establish internal systems, controls and procedures sufficient to provide reasonable assurance that material information used internally and disclosed externally is reliable and timely. This information includes financial disclosure documents, which are themselves subject to ICFR. Certain deficiencies in ICFR suggest a probability of being deficiencies in DC&P and where applicable, this has been noted above in "Specific Deficiencies Identified."

Additional Information and Continuous Disclosure

Subsequent to the year end the Company initiated the preparation of an application for a quotation of the Company's securities on the OTCQX. The formal application and filing of related documents required for the quotation had not been made as at the date of this Management Discussion and Analysis.

Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR at www.sedar.com.