LION ONE METALS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED JUNE 30, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Lion One Metals Limited

We have audited the accompanying consolidated financial statements of Lion One Metals Limited, which comprise the consolidated statement of financial position as at June 30, 2013 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Lion One Metals Limited as at June 30, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The consolidated financial statements of Lion One Metals Limited for the year ended June 30, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on October 18, 2012.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Accountants

September 25, 2013

LION ONE METALS LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT JUNE 30

		2013		2012
ASSETS				
Current				
Cash	$	13,576,266	$	15,971,997
Receivables (Note 5)		283,864		458,828
Prepaid expenses		32,610		16,256
Deposits (Note 7)		-		31,093
		13,892,740		16,478,174
Exploration advances and deposits (Note 7)		111,250		-
Restricted cash (Note 6)		103,908		75,000
Exploration and evaluation assets (Note 7)		31,686,823		24,861,722
Property and equipment (Note 8)		728,104		681,237
	$	46,522,825	$	42,096,133
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 9)	$	803,383	$	143,682
Long-term provisions (Note 9)		33,748		-
		837,131		143,682
Shareholders' equity				
Share capital (Note 10)		59,904,660		54,118,197
Obligation to issue shares (Note 4)		49,679		-
Reserves (Note 10)		18,441,364		18,205,973
Accumulated other comprehensive income		855,366		932,258
Deficit		(33,565,375)		(31,303,977)
		45,685,694		41,952,451
	$	46,522,825	$	42,096,133

Nature of operations and going concern (Note 1)
Commitments (Note 11)

Approved and authorized by the Board on September 25, 2013:

"Walter H. Berukoff" Director *"Hamish Greig"* Director

The accompanying notes are an integral part of these consolidated financial statements.

LION ONE METALS LIMITED

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED JUNE 30

		2013		2012
EXPENSES				
Consulting fees	$	188,861	$	234,800
Foreign exchange (gain) loss		(2,272)		38,649
Licenses, dues and insurance		87,367		53,321
Investor relations		364,872		540,174
Management fees		244,186		239,376
Office and administrative		342,329		399,467
Professional fees		368,258		242,198
Rent		180,000		180,063
Shareholder communications and filings		213,452		157,275
Share-based payments (Note 10)		403,622		1,228,042
Travel		52,797		141,283
Operating loss		(2,443,472)		(3,454,648)
OTHER INCOME				
Interest income		182,074		233,956
Net loss for the year		(2,261,398)		(3,220,692)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign exchange (loss) gain		(76,892)		316,044
Comprehensive loss for the year	$	(2,338,290)	$	(2,904,648)
Basic and diluted loss per common share	$	(0.05)	$	(0.06)
Weighted average number of common shares outstanding		49,307,202		48,663,656

The accompanying notes are an integral part of these consolidated financial statements.

LION ONE METALS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED JUNE 30

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (2,261,398)	$ (3,220,692)
Non-cash items:		
Depreciation (Note 8)	350	-
Foreign exchange (gain) loss	(2,272)	38,649
Share-based payments	403,622	1,228,042
Changes in non-cash working capital items:		
Receivables	244,215	123,881
Prepaid expenses	30,289	(2,644)
Deposits	-	27,333
Accounts payable and accrued liabilities	(339,992)	(65,964)
	(1,925,186)	(1,871,395)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(139,021)	(603,111)
Exploration expenditures	(2,973,995)	(2,796,297)
Exploration advances and deposits	(25,068)	-
Acquisition of Avocet Resources Limited (Note 4)	2,599,396	-
	(538,688)	(3,399,408)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of shares	100,000	363,704
Share issuance costs	-	(226)
	100,000	363,478
Effect of exchange rate changes on cash	(31,857)	49,400
Change in cash during the year	(2,395,731)	(4,857,925)
Cash, beginning of year	15,971,997	20,829,922
Cash, end of year	$ 13,576,266	$ 15,971,997

Supplementary cash flow information:

	2013	2012
Non-cash transactions:		
Depreciation expense capitalized to exploration and evaluation assets	$ 113,659	$ 58,645
Share-based payments expense capitalized to exploration and evaluation assets	70,054	112,328
Accounts payable and accrued liabilities in exploration and evaluation assets	498,352	-
Transfer of reserves on exercise of warrants	-	71,661
Transfer of reserves on exercise of stock options	41,822	72,098

The accompanying notes are an integral part of these consolidated financial statements.

LION ONE METALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Share Capital						
	Number	Amount	Obligation to Issue Shares	Reserves	Deficit	Accumulated Other Comprehensive Income	Total
Balance, June 30, 2011	48,341,540	$ 53,079,914	$ -	$ 17,540,408	$ (28,083,285)	$ 616,214	$ 43,153,251
Shares issued on exercise of options	251,667	160,182	-	(72,098)	-	-	88,084
Shares issued on exercise of warrants	275,620	347,281	-	(71,661)	-	-	275,620
Share issuance costs	-	(226)	-	-	-	-	(226)
Share-based payments – stock options	-	-	-	809,324	-	-	809,324
Share-based payments – escrow shares	-	14,896	-	-	-	-	14,896
Share-based payments – trust shares	-	516,150	-	-	-	-	516,150
Comprehensive loss for the year	-	-	-	-	(3,220,692)	316,044	(2,904,648)
Balance, June 30, 2012	48,868,827	54,118,197	-	18,205,973	(31,303,977)	932,258	41,952,451
Acquisition of Avocet Resources Limited	11,006,421	5,448,178	49,679	-	-	-	5,497,857
Shares issued on exercise of options	200,000	141,822	-	(41,822)	-	-	100,000
Share-based payments – stock options	-	-	-	277,213	-	-	277,213
Share-based payments – trust shares	-	196,463	-	-	-	-	196,463
Comprehensive loss for the year	-	-	-	-	(2,261,398)	(76,892)	(2,338,290)
Balance, June 30, 2013	60,075,248	$ 59,904,660	$ 49,679	$ 18,441,364	$ (33,565,375)	$ 855,366	$ 45,685,694

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Lion One Metals Limited ("Lion One" or the "Company") was incorporated on November 12, 1996 under the name X-Tal Minerals Corp. ("X-Tal") under the laws of the Province of British Columbia, Canada. On January 28, 2011, the Company changed its name to Lion One and executed a reverse takeover of American Eagle Resources Inc.

The Company is in the business of mineral exploration and development and is currently focused on the acquisition, exploration and development of mineral resources in Fiji, Australia and Argentina.

The Company's head office and principal and registered and records address is 311 West 1st Street, North Vancouver, BC, Canada, V7M 1B5.

The Company's consolidated financial statements and those of its wholly controlled subsidiaries are presented in Canadian dollars.

The Company is in the process of exploring and evaluating its resource properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to complete development in the long-term. As at June 30, 2013, the Company had not advanced its properties to commercial production. The Company's continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and generate funds from therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. The Company believes its current working capital is adequate to maintain the next twelve months of operations.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, obtain necessary financings, and/or generate profitable operations in the future.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Consolidation and Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These consolidated financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Prior period reclassifications

Certain comparative period amounts have been reclassified in the statement of loss and comprehensive loss to reflect a more meaningful presentation of costs incurred by the Company. Previously, payroll and operating costs managed by an external company were presented as management fees. These costs have been regrouped to provide information to the user regarding the Company's ongoing cost centres.

2. BASIS OF PREPARATION (cont'd…)

Use of Estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Judgments

The functional currency of each of the subsidiaries and the Company were assessed to determine the economic substance of the currency in which each entity performed its operations. The functional currency of the Company is the Canadian dollar. The functional currencies of the Company's subsidiaries have been assessed as follows:

	Country of Incorporation	Effective Interest	Functional currency
American Eagle Resources Inc.	Canada	100%	Canadian Dollar
Laimes International Inc.	BVI	100%	Canadian Dollar
Auksas Inc.	BVI	100%	Canadian Dollar
Lion One Limited	Fiji	100%	Fijian Dollar
Avocet Resources Limited	Australia	100%	Australian Dollar
Piche Resources Pty Ltd.	Australia	100%	Australian Dollar

Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, are as follows:

The value of shares issued for non-cash transactions is measured by the fair value of the services or goods received unless the market value of the shares issued on the date of issuance is a more reliable estimate. The valuation of shares issued during the year for non-cash transactions is discussed in Note 4.

The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about its project. Management considers the economics of the project, including the latest resource prices and the long-term forecasts, and the overall economic viability of the project.

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the Company's provision for income taxes.

Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. A detailed discussion of management's estimates with respect to the pricing model is found in Note 10.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign exchange

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

The Company has classified its cash and restricted cash as fair value through profit or loss and receivables and deposits as loans and receivables.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial liabilities (cont'd…)

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method.

The Company classified its accounts payable and accrued liabilities and long-term provisions as other financial liabilities.

Financial instrument disclosures

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Property and equipment

Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the straight-line method at the following annual rates:

Furniture and office equipment	12% - 100%
Motor vehicles	18%
Buildings and equipment	4% - 20%

Depreciation of property and equipment related to exploration and development activities is capitalized in exploration and evaluation costs. Depreciation related to general administration is expensed in office costs in the statements of loss and comprehensive loss.

Mineral properties – exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

The carrying values of capitalized amounts are reviewed annually or when indicators of impairment are present. In the case of undeveloped properties these may be only inferred resources to allow management to form a basis for the impairment review. The review is based on the intentions for the development of such a property.
If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company does not have any significant rehabilitation obligations.

Share-based payments

The Company accounts for stock options granted to directors, officers, employees and non-employees at fair value. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and share-based compensation is accrued and charged to operations or exploration and evaluation assets, with an offsetting credit to share-based payment reserve, over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations or exploration and evaluation assets upon re-measurement. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

If and when the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered the deferred tax asset is not set up.

New standards not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the period ended June 30, 2013:

- IFRS 9 — New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets[iii]
- IFRS 10 — New standard to establish principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities[i]
- IFRS 11 — New standard to account for the rights and obligations in accordance with a joint agreement[i]
- IFRS 12 — New standard for the disclosure of interests in other entities not within the scope of IFRS 9/IAS 39[i]
- IFRS 13 — New standard on the measurement and disclosure of fair value[i]
- IAS 28 (Amendment) — New standard issued that supersedes IAS 28 (2003) to prescribe the accounting for investments in associates and joint ventures[i]
- IAS 32 (Amendment) — New standard that clarifies requirements for offsetting financial assets and financial liabilities. [ii]

(i) Effective for annual periods beginning on or after January 1, 2013
(ii) Effective for annual periods beginning on or after January 1, 2014
(iii) Effective for annual periods beginning on or after January 1, 2015

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

(Expressed in Canadian Dollars)

4. MERGER WITH AVOCET RESOURCES LIMITED

On December 21, 2012, and as amended March 25, 2013, the Company entered into a Merger Implementation Agreement ("MIA") with Avocet Resources Limited ("Avocet"). Pursuant to the MIA, the Company acquired all of the issued and outstanding shares of Avocet by issuing one common share for every 9.5 Avocet shares.

On June 18, 2013, the Company executed the MIA and acquired the outstanding shares of Avocet by issuing 11,006,421 common shares. In accordance with the Share Scheme of Arrangement between Avocet and Avocet shareholders, Avocet shareholders representing 100,360 common shares elected to receive cash in lieu of shares which were issued subsequent to year end and recorded as an obligation to issue shares as at June 30, 2013.

The net assets of Avocet were valued with reference to the fair market value of the Company's common shares as at June 18, 2013 being $5,497,857. It was determined that, given the inherent difficulty in providing an accurate valuation over unproven exploration and evaluation assets, the valuation of the net assets of Avocet was more reliably determined by reference to the market value of the shares issued.

The net assets of Avocet acquired are as follows:

		Net assets
Cash	$	2,599,396
Receivables		68,828
Prepaids		47,077
Deposits		55,445
Restricted cash		29,238
Property and equipment		16,435
Exploration and evaluation assets		3,220,094
Accounts payable and accrued liabilities		(504,698)
Long-term provisions		(33,958)
Balance, June 30, 2013	$	5,497,857

5. RECEIVABLES

		2013		2012
GST and VAT receivable	$	255,838	$	429,418
Other receivables		-		29,410
Administration recoveries		28,026		-
Balance, end of year	$	283,864	$	458,828

6. RESTRICTED CASH

The restricted cash balance is comprised of a guaranteed investment certificate and security deposit held as collateral for the Company's corporate credit cards.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

June 30, 2013	Fiji	Australia	Argentina	Total
Acquisition costs				
Balance, June 30, 2012	$ 21,915,063	$ -	$ -	$ 21,915,063
Additions for the year	-	2,872,894	347,200	3,220,094
Balance, June 30, 2013	21,915,063	2,872,894	347,200	25,135,157
Exploration expenditures				
Balance, June 30, 2012	5,992,817	-	-	5,992,817
Additions for the year	3,648,175	2,210	7,378	3,657,763
Balance, June 30, 2013	9,640,992	2,210	7,378	9,650,580
Cumulative translation adjustment				
Balance, June 30, 2012	(3,046,158)	-	-	(3,046,158)
Additions for the year	(16,377)	(32,433)	(3,946)	(52,756)
Balance, June 30, 2013	(3,062,535)	(32,433)	(3,946)	(3,098,914)
Property total, June 30, 2013	$ 28,493,520	$ 2,842,671	$ 350,632	$ 31,686,823

June 30, 2012	Fiji
Acquisition costs	
Balance, June 30, 2012 and 2011	$ 21,915,063
Exploration expenditures	
Balance, June 30, 2011	3,098,479
Additions for the year	2,894,338
Balance, June 30, 2012	5,992,817
Cumulative translation adjustment	
Balance, June 30, 2011	(3,345,842)
Additions for the year	299,684
Balance, June 30, 2012	(3,046,158)
Property total, June 30, 2012	$ 24,861,722

Fiji Exploration Properties

The Company has been granted, by the Mineral Resources Department ("MRD") of Fiji, five exploration licenses (Special Prospecting Licenses or "SPL's") for the Tuvatu, Delaikoro and Vunimoli properties. The Company's primary asset is the Tuvatu Gold Project located near Nadi on the island of Viti Levu (SPL's 1283, 1296 and 1465). The other projects being Delaikoro (SPL 1467) and Vunimoli (SPL 1468) are on the island of Vanua Levu and are in the early stages of exploration.

Under the terms of the SPL's, the Company is required to spend a minimum threshold of expenditures on each of the licenses. Management submits exploration work to the MRD quarterly and has represented that these expenditure thresholds have been satisfied.

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Fiji Exploration Properties (cont'd…)

Subsequent to June 30, 2013, the Company received the renewal of SPL's 1283 and 1296 which have been extended to September 3, 2016. The Company is obligated to spend $2,100,000 Fijian dollars (CAD$1,171,230) on each of the tenements over the three year term. The MRD has also requested the Company post bonds for 10% of the required expenditures which the Company will submit relative to the proposed annual budget.

The Company's remaining tenements are under renewal. The Company has submitted its renewal documentation and has received notice from the MRD that the applications are in process. The Company has applied for a renewal of three years on all tenements.

The Company has submitted an application for a mining license on the Tuvatu project area itself which is a specific area within SPL's 1283 and 1296. Upon issuance of the mining license, exploration SPL's 1283 and 1296 will be reduced in size accordingly.

In addition to a 5% net smelter royalty ("NSR") with the government of Fiji, the Fiji properties are subject to a perpetual production royalty of 0.5% to 1.5% of net smelter returns ("NSR"). This NSR is payable to a company controlled by a common director.

Bonds

The SPL's require the posting of bonds as security against future reclamation obligations. As at June 30, 2013, the Company has bonds of $25,727 (2012 - $24,993) held with the MRD included in exploration advances and deposits on the statement of financial position.

Australian Properties

Ashburton Project, Western Australia

The Ashburton Project Area consists of three adjacent project areas, namely the Ashburton Cameco JV, the Saltwater Pool JV and tenements held 100% by the Company. The Ashburton Project Area is comprised of tenements prospective for gold, silver, rare earths, uranium and base metals, south of Paraburdoo in Western Australia.

Certain tenements are subject to a joint exploration agreement ("Cameco JV") with Cameco Australia Pty Ltd. ("Cameco"). The Company is the operator of the Cameco JV under which the parties have contributed equally to the exploration programs. Currently, Cameco has elected to dilute its interest due to budget constraints. Under the Cameco JV agreement, if there is a discovery of a mineral resource containing at least 25,000,000 pounds of U_3O_8, or other minerals with an equivalent value, the area of the resource, plus other ground necessary for the development, will become subject to a separate Development Joint Venture wherein the parties would continue to fund equally. Under the Development Joint Venture Cameco shall have the right to be appointed the operator of the Development Joint Venture area. The Company would remain the operator of all other areas under the Cameco JV.

<u>Saltwater Pool JV, Western Australia</u>

The Company has entered into an agreement with Thundelarra Exploration Limited to earn a 51% interest in certain tenements adjacent to the Ashburton Project in Western Australia. The Saltwater Pool JV area is prospective for uranium, base metals and precious metals. The Company can earn the interest by incurring $1,100,000 in exploration and evaluation expenditures over three years. The tenements are subject to an underlying joint venture agreement between two parties. Upon earning 51%, the Company will be admitted to the agreement with a 51% participating interest.

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Australian Properties (cont'd…)

Olary Creek, South Australia

The Company has a 51% interest in the Olary Creek tenement located near Broken Hill, South Australia. The project is focused on iron ore.

In 2010, Avocet entered into a joint venture agreement ("JV Agreement") with HJH Nominees ("HJH"), a private Chinese company, over the iron (Fe) and manganese (Mn) rights on the tenement. Under the terms of the JV Agreement, HJH was required, among other superseded terms, to:

a) Spend $2,000,000 on exploration within two years of signing the JV Agreement, at which time HJH would have earned a 49% interest in the Fe and Mn rights on the project; and
b) Spend $5,000,000 within 4 years to earn a 75% interest in the Fe and Mn rights on the project.

In fiscal 2012, HJH and its third party partner, Henan Yukuang Resources Development Limited Co ("Henan"), completed the required expenditures to obtain a 75% interest under the JV Agreement. The Company, in accordance with the terms of the JV Agreement, maintains a 25% free carried interest to the completion of a bankable feasibility study and decision to mine the Fe and Mn rights and retains 100% of the rights for all other commodities on the tenement.

In fiscal 2013, the Company received notice that HJH intended to sell a 22% participating interest in the JV Agrement. The Company elected to exercise its pre-emptive right over the interest. Subsequent to the year ended June 30, 2013, the Company, Henan and HJH formalized the termination of HJH from the JV Agreement. A formal Olary Creek Farm-In and Joint Venture Agreement ("Henan JV") was executed confirming the respective interests of the parties and ownership of the tenement. Under the Henan JV, ownership of the tenement is 51% by the Company and 49% by Henan with participation in the Fe and Me rights of 47% by the Company and 53% by Henan.

Under the Henan JV, the Company's 47% interest consists of the 25% free carried interest and a 22% contributing interest. Henan, as operator, must submit budgets and programs quarterly. The Company will then have the option to contribute according to its 22% interest or dilute. HJH retains a 0.5% free on board ("FOB") royalty on iron ore product from the tenement in relation to the 22% participating interest held by the Company and a further royalty with Henan.

The Company's 25% free carried interest can be converted to either a 2% free on board ("FOB") royalty on iron ore product from the tenement or a 1% FOB royalty plus a reserve tonne royalty of $0.50 per tonne of iron ore produced from the tenement.

Bonds

As at June 30, 2013, the Company held $55,445 (2012 - $Nil) in performance bonds with various Australian authorities on its Australian tenements included in exploration advances and deposits on the statement of financial position.

Argentinean Properties

Cerro Chacon

In March 2012, Avocet signed an agreement with MH Argentina S.A. ("MHA") to earn a 60% interest in 13 tenements in the Patagonia region of Argentina by incurring US$500,000 in exploration expenditures within three years.

Additionally, the Company is able to earn 100% of the project by forming a Joint Venture Company with MHA within the initial three-year term and commencing mining activities within 10 years. Upon earning a 100% interest, MHA will be granted a 3% NSR of which one-half (1.5%) may be acquired by the Company by issuing a one-time payment of US$1,500,000.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Argentinean Properties (cont'd…)

Sierra Cuadrada

In fiscal 2013, the Company entered into a formal agreement with Maple Minerals Exploration and Development Inc. ("Maple") wherein it may earn a 51% interest in the Sierra Cuadrada project by spending US$1,000,000 in exploration over four years. The project is located in the Chubut Province of Argentina.

The Company may provide notice to Maple upon completion of the expenditure requirements with the intention to form a joint venture company to continue the exploration and development of the tenements. If the Company chooses to terminate the agreement, the Company is required to compensate Maple for any shortfall in the pro-rata annual expenditure commitment in cash.

8. PROPERTY AND EQUIPMENT

	Furniture and Office Equipment	Motor Vehicles	Building and Equipment	Total
Cost				
Balance, June 30, 2011	$ 66,444	$ 16,211	$ 89,513	$ 172,168
Additions for the year	28,684	100,029	478,796	607,509
Cumulative translation adjustment	(2,849)	(695)	(3,839)	(7,383)
Balance, June 30, 2012	92,279	115,545	564,470	772,294
Additions for the year	22,473	48,900	67,648	139,021
Acquired with Avocet	9,460	1,132	5,843	16,435
Cumulative translation adjustment	611	866	3,937	5,414
Balance, June 30, 2013	$ 124,823	$ 166,443	$ 641,898	$ 933,164
Accumulated depreciation				
Balance, June 30, 2011	$ 22,505	$ 477	$ 13,658	$ 36,640
Additions for the year	15,232	20,858	22,555	58,645
Cumulative translation adjustment	(2,597)	(55)	(1,576)	(4,228)
Balance, June 30, 2012	35,140	21,280	34,637	91,057
Additions for the year	25,220	27,291	61,498	114,009
Cumulative translation adjustment	74	24	(104)	(6)
Balance, June 30, 2013	$ 60,434	$ 48,595	$ 96,031	$ 205,060
Net book value				
As at June 30, 2011	$ 43,939	$ 15,734	$ 75,855	$ 135,528
As at June 30, 2012	$ 57,139	$ 94,265	$ 529,833	$ 681,237
As at June 30, 2013	$ 64,389	$ 117,848	$ 545,867	$ 728,104

(Expressed in Canadian Dollars)

9. PROVISIONS

Accounts payable and accrued liabilities		2013		2012
Trade payables and short-term provisions	$	224,944	$	51,972
Exploration expenditures payable		498,352		91,710
Employee benefits		80,087		-
Balance, end of year	$	803,383	$	143,682

Long-term provisions represent accrued long-term service benefits for employees in Australia in accordance with Australian labour standards.

10. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

The Company did not complete any private placements in the years ended June 30, 2013 and 2012.

c) Trust agreement

Pursuant to a Trust Agreement dated April 1, 2010, the Company has issued and allotted 1,000,000 common shares from treasury to a designated trustee at a deemed value of $0.40 per share. The Trust Agreement stipulates the release of the shares to the beneficiaries upon vesting dates. During the year ended June 30, 2013, 198,000 shares (2012 – 495,000) were released from trust to the beneficiaries. Share-based payments expense of $196,463 (2012 - $516,150) was recognized during the period for the vesting of shares. As at June 30, 2013, 307,000 (2012 – 505,000) remained in trust.

d) Escrow agreements

As at June 30, 2013, the Company did not hold any shares in escrow. During the year ended June 30, 2012, the Company released all remaining shares held in escrow and recognized a corresponding share-based payments expense of $14,896.

e) Stock options and warrants

On December 17, 2012, the TSX Venture Exchange accepted for filing the Company's Stock Option Plan which was approved by the Company's shareholders at the Annual General Meeting held December 12, 2012. A rolling stock option plan has been implemented whereby a maximum of 10% of the issued shares will be reserved for issuance under the plan. Options can be granted for a term not to exceed ten years. Shareholder approval must also be obtained yearly at the Company's Annual General Meeting and in addition, submitted for review and acceptance by the Exchange each year.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd…)

e) Stock options and warrants (cont'd…)

Stock option and share purchase warrants transactions are summarized as follows:

	Options			Warrants		
	Number of Shares		Weighted Average Exercise Price	Number of Shares		Weighted Average Exercise Price
Balance, June 30, 2011	4,151,667	$	0.92	11,033,226	$	2.09
Granted	800,000		1.40	-		-
Exercised	(251,667)		0.35	(275,620)		1.00
Forfeited and expired	(1,061,333)		1.30	(10,757,606)		2.11
Balance, June 30, 2012	3,638,667		0.96	-		-
Granted	1,000,000		0.70	-		-
Exercised	(200,000)		0.50	-		-
Forfeited and expired	(1,075,000)		1.33	-		-
Balance, June 30, 2013	3,363,667	$	0.77	-	$	-
Balance, June 30, 2013 exercisable	2,307,495	$	0.77	-	$	-

Stock options outstanding as at June 30, 2013:

	Number	Exercise price	Expiry date
Stock Options	140,000	$ 0.35	February 9, 2014
	375,000	0.35	March 1, 2014
	680,000	0.35	March 1, 2015
	608,667	1.00	October 25, 2015
	435,000	1.40	May 25, 2016
	200,000	1.40	July 20, 2016
	25,000	1.40	November 2, 2016
	775,000	0.70	October 11, 2017
	125,000	0.70	February 26, 2018
	3,363,667		

During the year ended June 30, 2013 the Company granted 1,000,000 (2012 – 800,000) stock options to officers, employees and directors. The weighted-average fair value of options granted and vested during the period was $0.45 per option (2012 - $0.71). Total share-based payments recognized in the statement of shareholders' equity for the year ended June 30, 2013 was $277,213 (2012 – $809,324) for incentive options granted and vested. Share-based payments expense of $207,159 (2012 - $696,996) was recognized in the statement of loss and comprehensive loss with the balance of $70,054 (2012 - $112,328) capitalized to exploration and evaluation assets, which relates to employees working on the Tuvatu property.

The following weighted average assumptions were used for the valuation of stock options:

	2013	2012
Risk-free interest rate	1.27%	2.10%
Expected life of options	5 years	5 years
Annualized volatility	80%	76%
Dividend rate	-	-

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS

Management Compensation

Key management personnel comprise of the Chief Executive Officer, President, Chief Financial Officer, VP Administration and Vice President and Corporate Secretary of the Company. The remuneration of the key management personnel is as follows:

		2013		2012
Payments to key management personnel:				
Cash compensation	$	615,661	$	693,667
Share-based payments		310,684		796,523

During the year ended June 30, 2013, the Company paid $180,000 (2012 - $180,000) in rent to Cabrera Capital Corp. ("Cabrera"), a company controlled by a director of the Company. As at June 30, 2013, the Company had advanced $8,257 (2012 – payable of $2,644) to Cabrera.

As at June 30, 2013, the amount of $45,338 (2012 - $11,714) is due to related parties. All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

Commitment

The Company has a management and corporate services agreement with Cabrera pursuant to which Cabrera provides a fully furnished and equipped business premises as well as management and administration services to the Company. With the exception of rent expense, Cabrera charges the Company on a cost-recovery basis. The Company can terminate the agreement at any time by paying Cabrera a year's worth of fees based on the average monthly fee paid to Cabrera since January 31, 2011.

12. SEGMENTED INFORMATION

The Company operates in one industry segment, the mineral exploration industry.

		Fiji		Australia		Argentina		Total
Exploration and evaluation assets	$	28,493,520	$	2,842,671	$	350,632	$	31,686,823
Property and equipment		712,204		15,900		-		728,104
	$	29,205,724	$	2,858,571	$	350,632	$	32,414,927

As at June 30, 2012, the Company's property and equipment and exploration and evaluation assets were located in Fiji.

(Expressed in Canadian Dollars)

13. INCOME TAXES

A reconciliation between expense (recovery) and the product of accounting loss multiplied by the Company's domestic tax rate for the years ended June 30, 2013 and 2012 is as follows:

	2013	2012
Net loss before income tax	$ 2,261,398	$ 3,220,692
Income tax rate	25.25%	25.75%
Expected tax recovery at statutory income tax rate	(571,000)	(829,328)
Increase (decrease) due to:		
Permanent differences	102,000	318,221
Effect of tax rate changes	(15,000)	(17,861)
Acquisition of Avocet	(2,156,000)	-
True up and other adjustments	(267,000)	(268,982)
Tax effect of tax losses and temporary differences not recognized	2,907,000	797,950
	$ -	$ -

No deferred tax assets have been recognized on the consolidated statements of financial position as the Company has concluded that it is not probable that the benefits of deferred income tax assets will be realized prior to their expiry. As such, the Company has the following unrecognized deductible temporary differences:

	2013	2012
Non-capital losses	$ 14,210,000	$ 4,920,000
Share issuance costs and other	1,354,000	860,000

As at June 30, 2013, the Company has non-capital losses, for Canadian income tax purposes, of approximately $7,510,000 to reduce future taxable income in Canada. These losses, if unused, will expire between 2027 and 2033.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cash and restricted cash are carried at fair value using a level 1 fair value measurement. Receivables, deposits, accounts payable and accrued liabilities and long-term provisions are carried at amortized cost. The Company considers that the carrying amount of all its financial assets and liabilities measured at amortized cost to approximate their fair value.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The Company does not currently maintain cash deposits in Argentina.

Receivables mainly consist of government sales tax ("GST") receivable from the Government of Canada, GST receivable from the Government of Australia and value added tax receivable from the Government of Fiji. The Company has not had issues with respect to collectability of these amounts and believes that the credit risk concentration with respect to receivables is minimal.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2013, the Company had a working capital of $13,089,357.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes the interest rate risk is low given the current low global interest rate environment.

b) Foreign currency risk

The Company's property development and exploration work occurs in Fiji, Australia and Argentina and is conducted in Canadian dollars, Australian dollars, Fijian dollars and, to a lesser degree, Argentinean pesos. As such, the Company is exposed to foreign currency risk in fluctuations among these currencies. Fluctuations in the exchange rate among the Canadian dollar, Australian dollar and Fijian dollar may have a material adverse effect on the Company's business and financial condition.

As at June 30, 2013, the Company's net foreign denominated financial assets are as follows:

	Foreign currency	Canadian dollar equivalent
Australian Dollar	$ 2,264,887	$ 2,182,445
Fijian Dollar	155,175	86,914

The sensitivity of the Company's comprehensive loss due to changes in the carrying values of monetary assets and liabilities denominated in foreign currencies is as follows.

Increase / decrease in foreign exchange rate	2013	2012
+ 5%	$ 113,468	$ 8,524
- 5%	(113,468)	(8,524)

c) Price risk

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

15. 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 $45,685,694 (2012- $41,952,451). 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 working capital requirements. The Company is not subject to externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the period ended June 30, 2013.