Consolidated Financial Statements

Lion One Metals Limited

(A Development Stage Company)

For the year ended June 30, 2011

(Expressed in Canadian Dollars)

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 balance sheets as at June 30, 2011 and 2010, the consolidated statements of operations and comprehensive loss, cash flows and shareholders' equity for the years 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 Canadian generally accepted accounting principles, 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 audits. We conducted our audits 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 auditors consider 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Lion One Metals Limited** as at June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Vancouver, Canada,
October 13, 2011.

Chartered Accountants

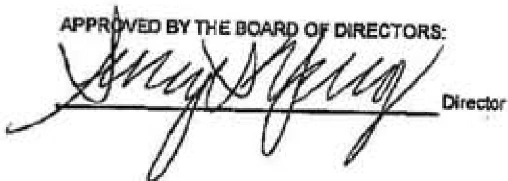
LION ONE METALS LIMITED

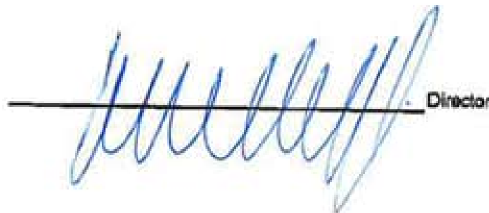
(A Development Stage Company)
Consolidated Balance Sheets

		June 30, 2011		June 30, 2010
Assets				
Current assets:				
Cash and cash equivalents (note 4(c))	$	20,829,922	$	140,571
HST and VAT recoverable		349,362		31,634
Due from related parties (note 8)		112,528		-
Other receivables		97,626		-
Prepaid expenses		13,612		5,533
Deposits (notes 6(a) and 15)		58,426		19,313
		21,461,476		197,051
Restricted cash		75,000		-
Due from related parties (note 8)		23,193		-
Plant, property and equipment (note 7)		137,653		33,749
Mineral properties and deferred exploration costs (note 6(b))		8,365,454		6,038,982
	$	30,062,776	$	6,269,782
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities (note 8)	$	209,646	$	82,578
Due to related parties (note 8)		-		268,289
		209,646		350,867
Future income tax liability (note 12)		1,673,377		964,381
Shareholders' equity:				
Share capital (note 9)		28,623,722		5,202,469
Warrants (note 10)		1,613,399		-
Contributed surplus		15,736,743		15,330,912
Deficit		(17,794,111)		(15,578,847)
		28,179,753		4,954,534
Nature of business and future operations (note 1)				
Commitments (notes 6(a) and 15)				
Subsequent events (note 16)				
	$	30,062,776	$	6,269,782

See accompanying notes to consolidated financial statements.

APPROVED BY THE BOARD OF DIRECTORS:


Director


Director

LION ONE METALS LIMITED

(A Development Stage Company)

Consolidated Statement of Operations and Comprehensive Loss

	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.

LION ONE METALS LIMITED

(A Development Stage Company)
Consolidated Statement of Cash Flows

	Year ended June 30, 2011	Year ended June 30, 2010
Cash provided by (used in):		
Operations:		
Net loss for the period	$ (2,374,083)	(377,672)
Items not involving cash:		
Stock-based compensation expense	1,053,058	252,969
Foreign exchange (gain) loss	5,996	(84,475)
Changes in non-cash operating working capital:		
Taxes receivable	(235,042)	9,865
Prepaid expenses	(8,079)	(5,533)
Other receivables	(97,626)	-
Deposits	(39,113)	(497)
Accounts payable and accrued liabilities	(112,451)	(55,315)
	(1,807,340)	(260,658)
Financing:		
Due to related parties	(694,230)	781,849
Share issuance costs	(1,397,598)	-
Issuance of shares on exercise of agent's warrants	2,430	-
Issuance of shares on private placement	14,269,345	-
Issuance of shares on exercise of options	79,854	-
Due from related party	(23,193)	-
Due to X-Tal Minerals Corp.	232,112	-
	12,468,720	781,849
Investments:		
Purchase of equipment	(120,984)	(4,940)
Mineral properties and deferred exploration costs	(1,293,549)	(616,763)
Purchase of restricted cash	(75,000)	-
Cash acquired in RTO with X-Tal	11,517,504	-
	10,027,971	(621,703)
Increase (decrease) in cash and cash equivalents	20,689,351	(100,512)
Cash and cash equivalents, beginning of year	140,571	241,083
Cash and cash equivalents, end of year	$ 20,829,922	$ 140,571
Supplementary cash flow information:		
Non-cash investing, financing and operating activities:		
Amortization expense capitalized to mineral properties and deferred exploration costs	$ 17,080	$ 11,370
Stock-based compensation capitalized to mineral properties	129,178	(8,675)
Elimination of intercompany balance on RTO	232,112	-
Increase in mineral property and deferred exploration costs acquired in RTO	183,664	-
Due to related parties settled through issuance of common shares		1,902,436
Transfer subscription receipts to share capital	10,281,001	-
Transfer of subscription receipts to warrants	402,500	-
Transfer of share capital to warrants	1,046,884	-
Transfer of agent's costs from share capital to agent's warrants	164,015	-
Transfer from contributed surplus to share capital on on exercise of agent's warrants	632	-
Transfer from contributed surplus to share capital on on exercise of stock options	84,906	-

See accompanying notes to consolidated financial statements.

LION ONE METALS LIMITED

(A Development Stage Company)

Consolidated Statement of Shareholders' Equity

	Number of Shares	Amount	Warrants	Net Investment by Parent	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
Balances, June 30, 2008	5,373,799	$ 53,738		$ (105,922)	$ 15,088,622	$ (14,831,764)	$ -	$ 204,674
Acquisition of non-controlling interest (note 2 and note 9(a))	7,000,000	3,026,691		-	-	-	-	3,026,691
Shares issued (note 8(a))	50,000	20,000		-	-	-	-	20,000
Stock based compensation - stock options (note 11)	-	-		-	84,392	-	-	84,392
Escrowed shares - issued (note 11)	300,000	-		-	-	-	-	-
Escrowed shares - returned to treasury (note 11)	(150,000)	-		-	-	-	-	-
Stock based compensation - escrowed shares (note 11)	-	113,208		-	-	-	-	113,208
Net loss for the year	-	-		-	-	(263,489)	-	(263,489)
Other adjustment to deficit (note 2)	-	-		105,922	-	(105,922)	-	-
Other comprehensive income	-	-		-	-	-	-	-
Balances, June 30, 2009	12,573,799	3,213,637		-	15,173,014	(15,201,175)	-	3,185,476
Share issued (note 9(a))	7,609,744	1,902,436		-	-	-	-	1,902,436
Stock based compensation - stock options (note 11)	-	-		-	157,898	-	-	157,898
Escrowed Shares (Note 9)	1,000,000							-
Escrowed Shares - returned to treasury (note 11)	(75,000)	-			-	-	-	-
Stock based compensation - escrowed shares (note 11)	-	86,396			-	-	-	86,396
Net loss for the year	-	-		-	-	(377,672)	-	(377,672)
Other comprehensive income	-	-		-	-	-	-	-
Balances, June 30, 2010	21,108,543	5,202,469	-	-	15,330,912	(15,578,847)	-	4,954,534
To eliminate shares of AME in reverse take-over	(21,108,543)							-
Assumption of net deficit of X-Tal (note 2)	6,300,001					(24,846)		(24,846)
Stock based compensation - stock options (note 11)					490,737			490,737
Stock based compensation - escrowed shares (note 11)		71,500						71,500
Stock based compensation - trust shares (note 9(b))		620,000						620,000
Shares issued to AME shareholders on amalgamation	21,108,543							-
Capitalization of mineral property expenditures incurred								-
by X-Tal in reverse take-over (note 2)						183,665		183,665
Issuance of shares in private placement,								-
net of expenses (notes 9(c) and (d))	20,706,029	22,726,578	1,449,384					24,175,962
Issuance of agent's options (notes 9(c) and (d))		(164,647)	164,647					-
Issuance of shares on option exercise (note 11)	219,583	164,760			(84,906)			79,854
Issuance of shares on warrant exercise(note 10)	2,430	3,062	(632)					2,430
Net loss for the year						(2,374,083)		(2,374,083)
Balances, June 30, 2011	48,336,586	$ 28,623,722	$ 1,613,399	$ -	$ 15,736,743	$ (17,794,111)	$ -	$ 28,179,753

See accompanying notes to consolidated financial statements.

1. Nature of business and future operations

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

Immediately prior to the RTO, X-Tal changed its fiscal year-end to June 30 from August 31, to be coterminous with AME's fiscal year end. X-Tal changed its name to Lion One Metals Limited.

AME had no substantive operations until September 18, 2008 when it entered into an agreement to purchase 100% of the outstanding shares of Laimes International Inc., a British Virgin Islands company that indirectly owns the Tuvatu mineral property on the Fijian Island of Viti Levu (see note 3). AME through an indirect subsidiary has been issued five (5) Special Prospecting Licenses allowing it to explore the Tuvatu property and requiring minimum expenditures during the term of the licenses (see note 6(a)). The Company is currently exploring the Tuvatu property. To June 30, 2011, the Company has not generated revenue from its exploration activities.

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

2. Reverse Takeover Accounting

On November 1, 2010, AME entered into a merger agreement (Agreement) with X-Tal Minerals Corp. (TSX Venture: XMT.H). The parties agreed to an arrangement by which X-Tal would acquire all of the outstanding shares of AME. Pursuant to the terms of the Agreement, all of the common shares of AME were exchanged for common shares of the X-Tal on a basis of one (1) common share of AME for one (1) common share of X-Tal. 21,108,543 common shares of the Company were issued to AME shareholders. 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 year ended June 30, 2011 reflect 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 legal parent (Lion One), but are deemed to be a continuation of the legal subsidiary (AME). Net loss per share has been adjusted for all periods presented in accordance with the guidance in EIC Abstract No. 10. Accordingly, the shares issued in respect of the concurrent private placement have not been included in the calculation of basic and fully diluted earnings per share in the prior year.

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 were paid by X-Tal and are included in the pre-amalgamation deficit balance.

2. Reverse Takeover Accounting (Continued)

As X-Tal did not title to the Tuvatu property all expenses it incurred related to the Tuvatu property prior to the RTO pursuant to the August 24, 2010 non-binding letter of intent with AME were expensed. As part of the RTO adjustment, these expenses amounting to $183,664 were reclassified to mineral properties and deferred exploration costs.

3. Acquisition of Laimes International Inc.

On September 18, 2008, AME entered into an agreement with Laimes Global Inc., a controlling shareholder of Laimes International Inc. (LII) and the other minority shareholders of LII to purchase 100% of the outstanding shares of LII. LII is incorporated in the British Virgin Islands and indirectly owns the Tuvatu mineral property on the Fijian Island of Viti Levu. Consideration for 100% interest in LII was 7,300,000 common shares of AME. The acquisition was a related party transaction that resulted in no substantive change in control over the exploration and development rights of the Tuvatu mineral property. As such the transaction was accounted for under the continuity of interest method of accounting. The following adjustments arose as a result of this transaction:

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

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

- 300,000 shares included in the share exchange were issued to employees and a director of AME. Pursuant to an escrow agreement, the shares are released to the employees and director over a period of three years. Three of the employees have since left AME resulting in the forfeiture of 225,000 of the shares issued. With respect to the remaining 75,000 shares, stock based compensation of $71,500 (2010 - $86,396) was recognized during the year (see note 11).

4. Significant accounting policies

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

(a) Basis of presentation

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

4. Significant accounting policies (continued)

(b) Measurement uncertainty

The preparation of consolidated financial statements requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the recognition of revenue and expenses during the reporting periods. Actual amounts may differ from these estimates. With respect to these consolidated financial statements, significant areas requiring the use of management estimates relate to the measurement of future cash flows and their impact on the underlying value of mineral properties and deferred expenditure costs, stock-based compensation, and warrants.

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

Determining Functional Currency

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

Recoverability of Mineral Properties and Deferred Exploration Costs

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

Future Income Tax Valuation Allowance

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

(c) Cash and cash equivalents

Cash and cash equivalents include:

	June 30, 2011	June 30, 2010
Deposits in the bank	$ 1,579,922	$ 140,571
GICs	19,250,000	-
	$ 20,829,922	$ 140,571

4. Significant accounting policies (continued)

(c) Cash and cash equivalents

Guaranteed investment certificates (GICs) are fully redeemable after 89 days and earn non-compounding interest at rates between 1.2% and 1.35%. The GIC's are held for the purpose of meeting near term cash commitments.

(d) Restricted cash

The restricted cash balance is comprised of one GIC that matures on March 12, 2012 and earns non-compounding interest at 1.2%. The GIC is held as security for the Company's corporate credit cards.

(e) Property, plant and equipment

Capital assets are recorded at cost and are amortized on a straight line basis over their estimated useful lives. The amortization periods range as follows:

Furniture and office equipment	12% - 40%
Motor vehicles	18%
Plant and machinery	6% - 24%

Amortization of property, plant and equipment related to exploration and development activities is capitalized in mineral properties and deferred exploration costs and will be recognized in the consolidated statement of operations through amortization of mining properties when they are put into production. For those which are not related to exploration and development activities, amortization expense is recognized in the consolidated statement of operations.

(f) Mineral properties and deferred exploration costs

The amounts recorded as mineral properties and deferred exploration costs represent exploration, development and associated costs incurred to date and are not intended to reflect present or future values. These costs are deferred until the discovery of economically exploitable reserves and the start-up of the production phase of the property or until the property is abandoned. Mineral properties are abandoned when management allows property interests to lapse, terms of underlying property contracts or agreements are terminated or not complied with or when management determines that properties are not economically viable. Costs accumulated related to projects that are abandoned are written-off in the year in which a decision to discontinue the project is made. Proceeds received on sale or option of the Company's properties are recorded as a reduction of the mineral property cost. The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

The Company is in the exploration stage and, hence, commercial production has not yet commenced. Commercial production occurs when an asset or property is substantially complete, is fully permitted and ready for its intended use.

4. Significant accounting policies (continued)

(f) Mineral properties and deferred exploration costs (continued)

On a quarterly basis, senior management reviews the carrying values of mineral properties and deferred exploration expenditures with a view to assessing whether there has been any impairment in value. In the event that it is determined there is impairment in the carrying value of any property, the carrying value will be written down to fair value or written off, as appropriate. Management considered the guidance in Emerging Issues Committee EIC-174 "Mining Exploration Costs" to determine whether conditions exist that indicate impairment may exist and a write-down may be required. There was no impairment write-down required for the year ended June 30, 2011 or 2010.

Realization of assets

The investment in and expenditures on the mineral property comprise a significant portion of the Company's assets. Realization of the Company's investment in this asset is dependent upon the establishment of legal ownership, the attainment of successful production from the property or from the proceeds of its disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is developed can be substantial, few properties that are explored are ultimately developed into producing mines.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects. Title to mineral properties could be adversely impacted by current political conditions in Fiji.

Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses or regulatory compliance is increasing. The impact of new and future environment legislation on the Company's operations may cause additional expenses and restrictions.

If the restriction adversely affects the scope of exploration and development on the mineral property, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current properties that may result in a liability to the Company.

4. Significant accounting policies (continued)

(g) Foreign currency translation

The Company's interest in its foreign subsidiaries is treated as integrated foreign operations. Accordingly, foreign currency transactions and balances are translated into Canadian dollars as follows:

- monetary items are translated at the exchange rate prevailing at the balance sheet date;
- non-monetary items are translated at historical exchange rates;
- revenue and expense items are translated at the average rate of exchange for the year in which they were incurred; and
- exchange gains and losses arising from translation are included in the determination of net loss for the year in which they were incurred.

(h) Loss per share

Loss per share has been calculated based on the weighted average number of shares outstanding. The treasury stock method is used for the calculation of diluted earnings per share for outstanding dilutive securities including warrants and options. The treasury stock method assumes that, for purposes of determining the weighted average number of common shares outstanding for the calculation of diluted per share amounts, the proceeds to be received on the exercise of the dilutive securities are applied to repurchase common shares at the average market price for the period. The Company uses the "if converted" method to calculate the dilutive effect of convertible securities. Under this method, the weighted average common shares outstanding is adjusted for the number of shares that would have been issued had the convertible securities been converted and loss available to common shareholders is adjusted for the interest expense incurred.

(i) Stock-based compensation

The Company measures stock-based compensation related to stock options granted using a fair value based method such as the Black-Scholes option pricing model. The Company recognizes the compensation expense over the vesting period of the options, with a corresponding credit to contributed surplus. Under certain circumstances the fair value of stock options granted to non-employees may be re-measured on each balance sheet date. Any consideration paid by the option holder to purchase shares is credited to capital stock.

(j) Financial instruments

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

4. Significant accounting policies (continued)

(j) Financial instruments (continued)

Cash and deposits	Held-for-trading
Taxes, other receivables, and due from related parties	Loans and receivables
Accounts payable and accrued liabilities, due to related parties	Other financial liabilities

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

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

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

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

At June 30, 2011, the Company's financial Instruments which are measured at fair value on a recurring basis are cash. These financial instruments were classified as "Level 1" financial instruments.

(k) Asset Retirement Obligation

Mining, development and exploration activities are required to comply with the laws, regulations and legislation of the jurisdiction in which operations are conducted. While specific requirements vary between jurisdictions, their common intent is to protect the environment and minimize the impact of exploitation activities. These laws are also continually changing. The Company expects to make, in the future, expenditures to comply with such laws and regulations but cannot predict the full amount or timing of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. Reclamation and remediation obligations arise from the acquisition, development, construction and normal operation of mining property, plant and equipment.

The Company follows the recommendation of CICA Handbook Section 3110, "Asset Retirement Obligations" which requires recording the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. The obligation is measured initially at fair value using present value methodology and the resulting costs are capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing of the underlying future cash flows. Capitalized asset retirement costs will be depreciated on the same basis as the related asset and the discounted accretion of the liability is included in determining the results of operations. The Company has only performed exploratory work on its mineral property and has not incurred significant reclamation obligations. As such, no asset retirement obligation accrual was made in these financial statements.

4. Significant accounting policies (continued)

(l) Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when tax assets and liabilities are recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. A valuation allowance is provided for tax assets which are not more likely than not to be realized.

5. Future accounting changes

(a) Business combinations

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

(b) Consolidated financial statements

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

(c) Non-controlling interest

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

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

5. Future accounting changes (continued)

requirements and compensation arrangements. The Company is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a timely conversion. The Company has not yet determined the impact of adopting these standards on the Company's consolidated financial statements.

6. Mineral properties and deferred exploration costs

(a) Tuvatu property

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

	Issued	Expires	Bond (Fijian dollars)	Bond C$	Expenditure requirement (Fijian dollars)	Expenditure requirement C$
SPL 1283 and 1296	1-Jul-10	30-Jun-13	$ 20,000	$ 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

The Company has received confirmation of acceptance of the proposed work program from the Fijian Mineral Resource Department. Annual expenditure commitment for SPL 1283/1296 and SPL 1465 are Fijian $ 700,000 and Fijian $600,000 respectively. SPL 1467 and SPL 1468 were renewed on May 12, 2011. All licenses are assessed annually by the Fijian government for performance and compliance with work and expenditure commitments. The licenses require the posting of bonds as security against future reclamation obligations. As at June 30, 2011 included in deposits are restricted cash balances of C$24,844 related to the bonds.

6. Mineral properties and deferred exploration costs (continued)

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

	Opening Balance June 30, 2010	Additions (Writeoffs)	Closing Balance June 30, 2011
Tuvatu Property (SPL 1283, 1296, 1465)			
Acquisition costs	$ 4,715,419		$ 4,715,419
Amortization	18,117	$ 15,813	33,930
Consulting - engineering	-	73,735	73,735
Consulting - exploration	143,020	741,829	884,849
Drilling	113,679	-	113,679
Licensing fee	5,182	7,302	12,484
Land rental	20,700	-	20,700
Professional fees	88,719	153,392	242,111
Office and administration	131,296	108,112	239,408
Salaries and benefits	428,064	639,414	1,067,478
Sample preparations, assaying, analysis	43,575	101,008	144,583
Travel, meals, and accomodation	88,785	222,224	311,009
Vehicles	37,224	14,477	51,701
Rent	-	9,381	9,381
Repairs	12,100	18,250	30,350
Equipment rental	127,327	113,139	240,466
Freight	13,849	5,482	19,331
Utilities	18,396	13,537	31,933
	6,005,452	2,237,095	8,242,547
Vanua Levu (SPL 1467, 1468)			
Amortization	83	1,267	1,350
Consulting - engineering	-	12,040	12,040
Licensing fee	-	8,601	8,601
Professional fees	4,935	13,143	18,078
Office and administration	404	3,054	3,458
Salaries and benefits	14,909	21,288	36,197
Sample preparations, assaying, analysis	4,163	9,149	13,312
Travel, meals, and accomodation	4,654	3,267	7,921
Vehicles	223	7,752	7,975
Rent	-	1,508	1,508
Repairs	-	121	121
Equipment rental	2,315	3,046	5,361
Freight	-	2,495	2,495
Utilities	1,844	2,646	4,490
	33,530	89,377	122,907
Total	$ 6,038,982	$ 2,326,472	$ 8,365,454

7. Property, plant, and equipment

	June 30, 2011		
	Cost	Accumulated amortization	Net book value
Furniture and office equipment	$ 67,586	$ 22,505	$ 45,081
Motor vehicles	15,879	477	15,402
Plant and machinery	90,828	13,658	77,170
	$ 174,293	$ 36,640	$ 137,653

	June 30, 2010		
	Cost	Accumulated amortization	Net book value
Furniture and office equipment	$ 23,608	$ 9,661	$ 13,947
Plant and machinery	29,701	9,899	19,802
	$ 53,309	$ 19,560	$ 33,749

All of the above property, plant and equipment are located in Fiji.

During the year ended June 30, 2011, amortization of $17,080 (2010 - $11,370) was capitalized in mineral properties and deferred exploration costs.

8. Related party transactions

(a) 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.

(b) 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.

8. Related party transactions (continued)

(c) On January 1, 2011, the Company signed a 5 year Management and Corporate Services Agreement (CSA) with Cabrera Capital Corp. (Cabrera), a company having directors and 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. Cabrera provided the same services to AME and X-Tal prior to signing the CSA. 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 year.

(d) 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 applied against this 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.

These amounts are non-interest bearing, unsecured and are repayable on demand.

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.

(e) 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, including a $62,500 bonus paid in conjunction with the April 2011 financings, was included in investor relations expense, and the remainder is included in consulting fees.

In addition a $62,500 bonus was paid to an officer of the Company in conjunction with the April 2011 financings. This bonus is included in investor relations expense.

9. Share capital

(a) Authorized
Unlimited common shares at no par value

(b) On April 1, 2010 a Trust Agreement between AME, a Trustee, and certain Beneficiaries was executed. Each of the Beneficiaries provides management services to AME either as an employee or independent contractor of AME. AME has issued and allotted 1,000,000 common shares from treasury registered in the name of a Trustee at a deemed price of $0.40 per Subject Share. Pursuant to the "Going Public Transaction", legal title to the Subject Shares will be transferred to each of the Beneficiaries, and such Subject Shares will vest and be released from the terms of the Trust Agreement. Compensation expense of $620,000 has been recognized subsequent to completion of the RTO.

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

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

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

(d) 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 relative fair value of the warrants included in the April 14 and April 26, 2011 Units was determined using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate – 1.77% and 1.70% respectively; no expected dividends; expected life – one year; expected stock price volatility – 75%. The fair value of each April 14, 2011 warrant was $0.23 and each April 26, 2011 warrant was $0.19 giving a total fair value allocated to the 4,603,015 warrants was $1,046,884.

9. Share capital (continued)

The relative fair value of the April 14 and April 26, 2011 agent's warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate – 1.77% and 1.70% respectively; no expected dividends; expected life – one year; expected stock price volatility – 75%. The fair value of each warrant was $0.23 and $0.19 respectively and the total fair value allocated to the agent's warrants was $88,207.

(e) Loss per share

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

10. Warrants

The following tables summarize information about the warrants outstanding at June 30, 2011:

	Number of warrants		Weighted average exercise price
Balance, June 30, 2010			
Granted	10,353,015	$	2.11
Exercised	-		-
Balance, June 30, 2011	10,353,015	$	2.11

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

10. Warrants (continued)

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

	Number of agent's warrants	Weighted average exercise price
Balance, June 30, 2010		
Granted	685,071	$ 1.71
Exercised	(2,430)	1.00
Balance, June 30, 2011	682,641	$ 1.72

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

11. Stock option plan

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

A summary of the activity under the Plan as of June 30, 2011 is as follows:

	Number of shares	Weighted average exercise price
Balance, June 30, 2009	1,750,000	0.38
Granted	680,000	0.35
Forfeited	(345,000)	0.38
Balance, June 30, 2010	2,085,000	0.37
Granted	2,505,000	1.27
Exercised	(219,583)	0.36
Forfeited	(285,417)	0.35
Balance, June 30, 2011	4,085,000	$ 0.92

Of the 2,505,000 options granted in fiscal 2011, 950,000 were granted to non-employees.

11. Stock option plan (continued)

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 20, 2011	1,685,000	1.40	-	May 20, 2016
	4,085,000		1,263,311	

As at June 30, 2011 there are 1,185,000 non-employee options outstanding of which 235,000 are exercisable. Non-employee options are revalued each reporting period until the options are fully vested. As at June 30, 2011 the weighted average number of months remaining is 42 months.

During the year ended June 30, 2011, the Company recognized stock-based compensation of $1,182,236 (2010 - $252,969) related to the options. Of this amount $129,178 (2010 - $Nil) was capitalized in mineral properties and deferred exploration costs. As a result of the resignation of two directors, $79,869 of stock based compensation previously recognized has been reversed. In fiscal 2010, $20,552 of previously recognized stock based compensation was reversed on the departure of employees.

Assumptions applied to determine the fair value of options granted on May 20, 2011 were: risk-free interest rate – 1.94%; no expected dividends; expected option life – three years; expected stock price volatility – 75%; weighted average fair value of options granted at market prices - $0.59 for employees and $0.45 for non-employees.

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

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

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

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

11. Stock option plan (continued)

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

As part of the share purchase transaction dated September 18, 2008 (see note 2) 300,000 shares were issued to directors and employees of the Company. Pursuant to an escrow agreement, the 300,000 shares are released to the directors and employees over a period of three years from the time of issue. In previous periods, three of the employees left the Company resulting in 225,000 shares being returned to treasury. Stock based compensation expense of $71,500 (2010 - $86,396) was recognized during the period with respect to the remaining shares.

12. Income taxes

The following table reconciles the expected income tax recovery at the Canadian federal and provincial statutory income tax rates to the amounts recognized in the consolidated statement of income.

	June 30, 2011	June 30, 2010
Net loss before income tax	$ 2,374,083	$ 377,672
Income tax rate	27.50%	29.25%
Expected tax recovery	(652,873)	(110,468)
Increase(decrease) due to:		
Permanent differences	287,428	51,501
Tax rate changes on deferred tax balance	33,255	8,455
Other adjustments	(360)	10,988
Change in valuation allowance	332,550	39,524
	$ -	$ -

Net future income tax liabilities are as follows:

	June 30, 2011	June 30, 2010
Tax loss carryforwards	$ 431,892	$ 99,342
Resource properties	(1,673,377)	(964,381)
Valuation allowance	(431,892)	(99,342)
Future income tax liability	$ (1,673,377)	$ (964,381)

The Company estimates its valuation allowance based on its ability to realize benefits of its future income tax assets.

The Company has non-capital losses of $1,723,448 to reduce future taxable income in Canada. These losses, if unused, will expire as follows:

2028	8,059
2029	186,255
2030	198,934
2031	1,330,200

13. 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 $28,183,579 (June 30, 2010 - $4,954,534). In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek additional debt financing and adjust its capital spending to manage current and projected debt levels. The Company is not subject to externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the year ended June 30, 2011.

14. Financial instruments

Financial instruments of the Company comprise cash, deposits, other receivables due from related parties, accounts payable and accrued liabilities and due to related parties. The carrying values of these financial instruments other than due from and to related parties do not materially differ from their fair values due to their ability for prompt liquidation or their short terms to maturity. Due to and from related parties are measured at their carrying values as the fair value can not be measured reliably.

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

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

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

Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they come due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking harm to the Company's reputation. All financial liabilities of the Company are due within one year. As at June 30, 2011 there are adequate financial assets on hand to meet current trade liabilities.

Foreign currency risk

Foreign currency exchange risk is the risk that the future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. Historically the Company has raised funds through the sale of its common shares in Canadian dollars however the majority of the Company's expenditures are denominated in either Canadian or Fijian dollars. Therefore, the Company is exposed to fluctuations between the Canadian and Fijian dollar exchange rate. As at June 30, 2011, the Company's net financial assets were C$386,327

14. Financial instruments (continued)

(F$699,742). A 100 basis points change in the value of the Canadian dollar would result in a foreign exchange gain or loss of approximately $6,997.

Credit risk

Financial instruments of the Company that are subject to credit risk consist of cash deposited with reputable financial institutions. Management believes the risk of loss is remote.

15. Commitments

The Company signed the 5 year CSA as disclosed in note 8 which requires $15,000 base monthly rental payments for its premises. The minimum annual rental payments required under the agreement for the next five years are $180,000 each year.

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.

16. Subsequent events

On July 20, 2011, the Company granted 200,000 stock options to an employee at grant price of $1.40 and an expiry date of July 20, 2016.

On August 10, 2011, 41,000 stock options with an exercise price of $0.35 were exercised.

On September 27, 2011, 204,000 agent's warrants with an exercise price of $1.00 were exercised.

17. Comparative figures

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