Consolidated Financial Statements

Lion One Metals Limited

(A Development Stage Company)

For the year ended June 30, 2012
(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 statements of financial position as at June 30, 2012 and 2011, and July 1, 2010, and the consolidated statements of operations and comprehensive loss, cash flows, and changes in shareholders' equity for the years ended June 30, 2012 and 2011, 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 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, 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 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, 2012 and 2011, and July 1, 2010, and its financial performance and its cash flows for the years ended June 30, 2012 and 2011 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Vancouver, Canada,
October 18, 2012.

Chartered Accountants

LION ONE METALS LIMITED
(A Development Stage Company)
Consolidated Statements of Financial Position

		June 30, 2012		June 30, 2011 (note 16)		July 1, 2010 (note 16)
Assets						
Current assets:						
Cash and cash equivalents (note 3(c))	$	15,971,997	$	20,829,922	$	140,571
HST and VAT recoverable		429,418		349,362		31,634
Due from related parties (note 7)		-		112,528		-
Other receivables		29,410		97,626		-
Prepaid expenses		16,256		13,612		5,533
Deposits (note 5(a))		31,093		58,426		19,313
		16,478,174		21,461,476		197,051
Restricted cash		75,000		75,000		-
Due from related parties (note 7)		-		23,193		11,018
Property, plant and equipment (note 6)		681,237		135,528		28,100
Exploration and evaluation assets (note 5(b))		24,861,722		21,667,700		19,278,488
	$	42,096,133	$	43,362,897	$	19,514,657
Liabilities and Shareholders' Equity						
Current liabilities:						
Accounts payable and accrued liabilities	$	129,324	$	209,646	$	82,578
Due to related parties (note 7)		14,358		-		279,307
		143,682		209,646		361,885
Shareholders' equity:						
Share capital (note 8)		54,118,197		53,079,914		23,579,160
Warrants (note 9)		-		1,613,399		-
Contributed surplus		18,205,973		15,927,009		15,333,076
Accumulated other comprehensive income		932,258		616,214		-
Deficit		(31,303,977)		(28,083,285)		(19,759,464)
		41,952,451		43,153,251		19,152,772
Nature of business and future operations (note 1)						
Commitments (notes 7 and 15)						
	$	42,096,133	$	43,362,897	$	19,514,657

See accompanying notes to consolidated financial statements.

APPROVED BY THE BOARD OF DIRECTORS ON OCTOBER 18, 2012

"Walter Berukoff" Director *"Hamish Greig"* Director

LION ONE METALS LIMITED
(A Development Stage Company)
Consolidated Statements of Operations and Comprehensive Loss

		Year ended June 30, 2012		Year ended June 30, 2011
				(note 16)
GENERAL AND ADMINISTRATIVE EXPENSES				
Consulting fees	$	234,800	$	187,462
Foreign exchange (gain) loss		38,649		(74,586)
Licenses, dues and other fees		39,509		8,447
Investor relations		366,636		269,857
Management fees (note 7(a))		993,177		455,622
Office and miscellaneous		63,562		33,975
Professional fees		109,044		111,809
Rent (note 7(a))		180,063		72,829
Shareholder communications and regulatory filings		59,883		35,645
Stock based compensation (note 10)		1,228,042		1,176,120
Travel		141,283		216,661
Operating loss		3,454,648		2,493,841
OTHER INCOME AND EXPENSE				
Listing fee (note 2)		-		6,104,347
Interest income		(233,956)		(90,702)
Net loss for the year		3,220,692		8,507,486
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign exchange (gain) loss		(316,044)		(616,214)
Comprehensive loss for the year	$	2,904,648	$	7,891,272
Basic and diluted loss per share amounts (note 8(e))	$	0.06	$	0.26
Weighted average common shares outstanding		48,663,656		30,331,755

See accompanying notes to consolidated financial statements.

LION ONE METALS LIMITED
(A Development Stage Company)
Consolidated Statements of Changes in Equity

	Number of Shares	Amount	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
Balances, July 1, 2010 (Note 16)	21,108,543	$ 23,579,160	$ -	$ 15,333,076	$ (19,759,464)	$ -	$ 19,152,772
To eliminate shares of AME in reverse take-over	(21,108,543)						-
To adjust share balance on reverse take-over (note 2)	4,954						-
Assumption of net deficit of X-Tal (note 2)	6,300,001	6,079,501	-	-			6,079,501
Stock based compensation - stock options (note 10)				678,839			678,839
Stock based compensation - escrowed shares		71,500	-	-			71,500
Stock based compensation - trust shares (note 8(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 8(c) and (d))	20,706,029	22,726,578	1,449,384	-			24,175,962
Issuance of agent's options (notes 8(c) and (d))		(164,647)	164,647	-			-
Issuance of shares on option exercise (note 10)	219,583	164,760	-	(84,906)			79,854
Issuance of shares on warrant exercise(note 9)	2,430	3,062	(632)	-			2,430
Comprehensive loss for the year					(8,507,486)	616,214	(7,891,272)
Balances, June 30, 2011 (Note 16)	48,341,540	53,079,914	1,613,399	15,927,009	(28,083,285)	616,214	43,153,251
Stock based compensation - stock options (note 10)		-	-	809,324			809,324
Stock based compensation - escrowed shares		14,896	-	-			14,896
Stock based compensation - trust shares (note 8(b))		516,150	-	-			516,150
Share issuance costs		(226)	-	-			(226)
Issuance of shares on option exercise (note 10)	251,667	160,182	-	(72,098)			88,084
Issuance of shares on warrant exercise(note 9)	275,620	347,281	(71,661)	-			275,620
Expiration of warrants			(1,541,738)	1,541,738			-
Comprehensive loss for the year					(3,220,692)	316,044	(2,904,648)
Balances, June 30, 2012	48,868,827	$ 54,118,197	$ -	$ 18,205,973	$ (31,303,977)	$ 932,258	$ 41,952,451

See accompanying notes to consolidated financial statements.

LION ONE METALS LIMITED
(A Development Stage Company)
Consolidated Statements of Cash Flows

	Year ended June 30, 2012	Year ended June 30, 2011 (note 16)
Cash provided by (used in):		
Operations:		
Net loss for the year	$ (3,220,692)	$ (8,507,486)
Items not involving cash:		
Stock-based compensation expense	1,228,042	1,176,120
Foreign exchange (gain) loss	38,649	(74,586)
Listing fee	-	6,104,347
Changes in non-cash operating working capital:		
Taxes receivable	(80,056)	(235,042)
Prepaid expenses	(2,644)	(8,079)
Other receivables	68,216	(97,626)
Deposits	27,333	(39,113)
Accounts payable and accrued liabilities	(80,322)	(112,451)
	(2,021,474)	(1,793,916)
Financing:		
Due to related parties	14,358	(694,230)
Share issuance costs	(226)	(1,397,598)
Issuance of shares on exercise of agent's warrants	275,620	2,430
Issuance of shares from private placement	-	14,269,345
Issuance of shares on exercise of options	88,084	79,854
Due from related party	135,721	(23,193)
Due to X-Tal Minerals Corp	-	232,112
	513,557	12,468,720
Investments:		
Purchase of equipment	(603,111)	(120,812)
Increase in restricted cash position	-	(75,000)
Exploration expenditures	(2,796,297)	(1,293,163)
Cash acquired in RTO with X-Tal	-	11,517,504
	(3,399,408)	10,028,529
Effect of exchange rate changes on cash and cash equivalents	49,400	(13,982)
Increase (decrease) in cash and cash equivalents	(4,857,925)	20,689,351
Cash and cash equivalents, beginning of year	20,829,922	140,571
Cash and cash equivalents, end of year	$ 15,971,997	$ 20,829,922
Supplementary cash flow information:		
Non-cash investing, financing and operating activities:		
Amortization expense capitalized to exploration and evaluation assets	$ 54,417	$ 17,080
Stock-based compensation capitalized to exploration and evaluation assets	112,328	194,218
Increase in mineral property and deferred exploration costs acquired in RTO	-	183,665
Elimination of intercompany balance on RTO	-	232,112
Issue share capital for X-Tal subscription receipts	-	10,281,001
Issue warrants for X-Tal subscription receipts	-	402,500
Transfer of share capital to warrants	-	1,046,884
Expiration of warrants, transfer to contributed surplus	1,541,738	-
Transfer from contributed surplus to share capital on exercise of agent's warrants	71,661	632
Transfer from contributed surplus to share capital on exercise of stock options	72,098	84,906
Other:		
Interest received in year	277,852	17,396

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 owns, through its subsidiary Lion One Limited, the Tuvatu mineral property on the Fijian Island of Viti Levu (see note 5). Lion One Limited has been issued five (5) Special Prospecting Licenses allowing it to explore the Tuvatu, Delaikoro and Vunimoli properties and requiring minimum expenditures during the term of the licenses (see note 5(a)). The Company is currently exploring the properties. To June 30, 2012, 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.

The Company is incorporated under the laws of the Province of British Columbia, Canada and has its head office and registered and records office at 311 West 1st Street, North Vancouver BC, Canada.

2. Reverse Takeover Accounting

On November 1, 2010, AME entered into a merger agreement (Agreement) with X-Tal (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 X-Tal on a basis of one (1) common share of AME for one (1) common share of X-Tal. 21,113,497 common shares of the Company were issued to AME shareholders. The transaction was completed on January 28, 2011.

Legally, X-Tal is the parent company of AME; however, as a result of the share exchange, control of the combined companies passed to the former shareholders of AME, which for accounting purposes is deemed to be the acquirer. For financial reporting purposes, the transaction has been accounted for under IFRS 2, Share Based Payments, and therefore the financial statements have been prepared as a continuation of AME. Consequently, through the period ended January 28, 2011, the consolidated statements of financial position, the consolidated statements of operations and comprehensive loss, and the consolidated statements of cash flows relate only to AME, the acquirer. Subsequent to January 28, 2011, the net assets of AME are included in the statement of financial position at their carrying values, and the acquisition of X-Tal is accounted for by the acquisition method, with the net assets of X-Tal recorded at their estimated fair values.

a) The assets and liabilities of AME are recognized and measured at their pre-combination carrying amounts.

b) The deficit and other equity balances are the deficit and other equity balances of AME immediately prior to the share exchange transaction.

(Expressed in Canadian dollars)

2. Reverse Takeover Accounting (continued)

c) The amount recognized as issued equity was determined by adding the cost of the combination to the issued equity of AME immediately prior to the share exchange transaction. However, the equity structure appearing in these consolidated financial statements (the number and type of equity instruments issued) reflect the equity structure of X-Tal, including the equity instruments issued by X-Tal to effect the combination.

The net assets acquired had a negative fair value of $24,896 as follows:

Cash and cash equivalents	$11,517,503
Prepaid expenses	195,784
HST recoverable	82,686
Due from AME	232,112
Subscription receipts payable	(11,500,000)
Accounts payable	(239,519)
Due to related parties	(313,412)
Net assets acquired	$(24,846)

Concurrent with the transaction, X-Tal changed its name to Lion One.

The Company has accounted for the transaction as an asset acquisition under the scope of IFRS 2, Share Based Payments. Consideration consisted entirely of shares of the Company which were measured at the fair value of the shares that AME would have been required to issue to X-Tal`s shareholders had the transaction been structured as a legal acquisition of X-Tal by AME. The fair value of these shares deemed to have been issued was $6,079,501. The recognition of a listing expense as part of the acquisition of a public company is determined as the proceeds paid by the Company less the net assets acquired by the Company as a result of the takeover. The Company recognized a listing expense of $6,104,347.

As X-Tal did not have title to the Tuvatu property, all expenses it incurred related to the Tuvatu property prior to the transaction pursuant to the August 24, 2010 non-binding letter of intent with AME were expensed. As part of the transaction, these expenses amounting to $183,665 were reclassified to exploration and evaluation assets.

3. Significant accounting policies

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These statements cover the first annual consolidated financial statements that are being presented in accordance with IFRS and IFRS 1, *First-time Adoption of International Financial Reporting Standards*, for the year ending June 30, 2012. Previously, the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). Canadian GAAP differs from IFRS in some areas and accordingly, the significant accounting policies applied in the preparation of these consolidated financial statements are set out below and have been consistently applied to all periods presented except in instances where IFRS 1 either requires or permits an exemption. An explanation of how the transition from Canadian GAAP to IFRS has affected the reported statements of financial position, operations and comprehensive loss, changes in equity and cash flows of the Company is provided in note 16. This note includes information on the provisions of IFRS 1 and the exemptions that the Company elected to apply, reconciliations of equity, net loss and comprehensive loss for comparative periods and equity at the date of transition, July 1, 2010.

(a) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments which have been measured at fair market value. The statements include the accounts of Lion One, AME , AME's wholly owned subsidiary, Laimes International Inc., and Laimes` subsidiaries Auksas Inc. and Lion One Limited. All intercompany balances and transactions are eliminated on consolidation.

(b) Significant Judgements and Estimates

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

The functional currency of each of the subsidiaries and the Company were assessed to determine the economic substance of the currency each entity performed its operations. Based on this assessment, the functional currency of the Company and its subsidiaries, with the exception of Lion One Limited, has been determined to be the Canadian dollar. Lion One Limited's functional currency has been determined to be the Fijian dollar; upon consolidation, the financial position as at the year end was translated at the year end exchange rate and the operations for the year were translated at the average exchange rate for the year.

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Recoverability of Exploration and Evaluation Costs

The Company's accounting policy for exploration and evaluation expenditures 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.

(c) Cash and cash equivalents

Cash and cash equivalents include:

	June 30, 2012	June 30, 2011	July 1, 2010
Deposits in bank	$846,997	$1,579,922	$140,571
GICs	15,125,000	19,250,000	-
	$15,971,997	$20,829,922	$140,571

Guaranteed investment certificates (GICs) are fully redeemable after 90 days and earn non-compounding interest at a rate of 1.4%. 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, 2013 and earns non-compounding interest at 1.21%. 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% - 50%
Motor vehicles	18%
Plant and machinery	12%
Buildings	5%

Amortization of property, plant and equipment related to exploration and development activities is capitalized in exploration and evaluation 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 and comprehensive loss.

3. Significant accounting policies (continued)

(f) Exploration and evaluation assets

The amounts recorded as exploration and evaluation assets 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. Exploration and evaluation assets 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.

On a quarterly basis, senior management reviews the carrying values of exploration and evaluation assets 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. There was no impairment write-down required for the period ended June 30, 2012.

Realization of assets

The investment in and expenditures on the exploration and evaluation assets comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets 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.

3. Significant accounting policies (continued)

Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses for 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.

(g) Foreign currency translation

Each subsidiary and the Company's parent entity determine its own functional currency (note 3(b)). Items included in the financial statements of each subsidiary are measured using that functional currency.

Transactions and balances:

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date.

Translation of foreign operations:

As at the reporting date, the assets and liabilities of Lion One Limited are translated into the presentation currency of the Company at the rate of exchange prevailing at the reporting date and its revenue and expenses are translated at the exchange rate at the date of the transactions. The exchange difference that arises on the translation are taken to Other Comprehensive Income and accumulated in Accumulated Other Comprehensive Income. On consolidation, exchange differences arising from the translation of the net investment of Lion One Limited are taken to the Other Comprehensive Income and Accumulated Other Comprehensive Income. If Lion One Limited were sold, the amount reflected in Accumulated Other Comprehensive Income would be realized and reflected in the Statement of Operations and Comprehensive Income (Loss) as part of the gain or loss on disposal.

3. Significant accounting policies (continued)

(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 utilizes the fair value method of accounting for share based awards issued to its employees and non-employees. Under this method, stock options, escrow shares and trust shares issued to employees are recorded at their estimated fair value on the grant date and are charged either to the statement of operations and comprehensive loss or capitalized to exploration and evaluation assets over the vesting period with a corresponding credit to contributed surplus or share capital. For share based awards issued to non-employees, the awards are measured at the date on which the services are provided. If the stock options are exercised, the proceeds are credited to share capital and the fair value of the options exercised is reclassified from contributed surplus to share capital. For options subject to vesting, the Company calculates the fair value of each vesting period as a separate award with individual expected lives and amortizes the calculated expense for the award over the vesting period on a straight-line basis over the vesting period of the award and the forfeiture rate is reviewed on a quarterly basis to determine the appropriate forfeiture rate based on the past, present and future forfeitures.

3. Significant accounting policies (continued)

(j) Financial instruments

The Company classifies all financial instruments into one of the five following categories: fair-value-through-profit-and-loss ("held-for-trading" category), "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:

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.
Disclosures about the inputs to financial instrument fair value measurements are made 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, 2012, 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.

3. Significant accounting policies (continued)

(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 records an asset retirement obligation as a liability in the period in which it incurs a legal or constructive 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 the present value of the costs estimated to be incurred to settle the obligation and the resulting obligation is 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, including changes in the discount rates used to calculate those 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 has been recorded in these financial statements.

(l) Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, deferred 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. Deferred 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 deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. Deferred tax assets are recognized only to the extent they are more likely than not to be realized.

4. Future accounting changes

- IFRS 7 Financial Instruments: Disclosures – In December 2010, the IASB amended IFRS 7 requiring additional disclosures on offsetting of financial assets and financial liabilities. This amendment is effective for annual fiscal periods beginning on or after January 1, 2013. Additional disclosures about the initial application of IFRS 9 Financial Instruments is required, effective on the date that IFRS 9 is first applied. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.
- IFRS 9 Financial Instruments – The IASB will be replacing IAS 39 Financial Instruments: Recognition and Measurement with IFRS 9, in a three stage approach. IFRS 9 is the new standard for the financial reporting of financial instruments that is principles-based and is effective for annual fiscal periods beginning on or after January 1, 2015, with earlier adoption permitted. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.
- IFRS 10 Consolidated Financial Statements – This standard will replace portions of IAS 27 Consolidated and Separate Financial Statements, and Interpretation SIC 12, Consolidation – Special Purpose Entities. The standard establishes principles for the presentation and preparation of consolidated financial statements where an entity controls one or more other entities. This standard will be effective for annual fiscal periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.
- IFRS 11 Joint Arrangements – In May 2011, the IASB issued IFRS 11 which supercedes IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The standard establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of arrangement. The standard is effective for annual fiscal periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

4. Future accounting changes (continued)

- IFRS 12 Disclosure of Involvement with Other Entities – This standard has disclosure requirements for subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities. The standard becomes effective for annual fiscal periods beginning on or after January 1, 2013, earlier adoption is permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements
- IFRS 13 Fair Value Measurement – The standard defines fair value, sets out a framework for measuring fair value and requires disclosure about fair value measurements. The standard becomes effective for annual fiscal periods beginning on or after January 1, 2013, earlier adoption is permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.
- IAS 1 Presentation of Items of Other Comprehensive Income (“OCI”) – This standard was revised in June 2011 to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. The revision is effective for annual periods beginning on or after July 1, 2012 with early adoption permitted. The Company is currently evaluating the impact of this statement.

(Expressed in Canadian dollars)

5. Exploration and evaluation assets

(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 $)	Bond (Canadian $)	Expenditure requirement (Fijian $)	Expenditure requirement (Canadian $)
SPL1283 and 1296	1-Jul-10	30-June-13	$20,000	$11,108	$4,200,000	$2,332,680
SPL1465	1-Jul-10	30-June-13	10,000	5,554	1,800,000	999,720
SPL1467	1-Jul-11	15-April-12	11,000	6,109	110,000	61,094
SPL1468	1-Jul-11	15-April-12	4,000	2,222	40,000	22,216
			$45,000	$24,993	$6,150,000	$3,415,710

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 (Cdn $389,000),$700,000 (Cdn $389,000) and $600,000 (Cdn $333,000) respectively. SPL 1467 and SPL 1468 are currently in the process of renewal. As per management discussions with the Mineral Resource Department, renewal of these licenses will be forthcoming. 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, 2012 included in deposits are restricted cash balances of C$24,993 related to the bonds.

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

	Cost	Foreign Currency Adjustment	Total
Balance July 1, 2010	$23,238,626	$(3,960,138)	$19,278,488
Additions in year	1,774,916	614,296	2,389,212
Balance June 30, 2011	25,013,542	(3,345,842)	21,667,700
Additions in year	2,894,338	299,684	3,194,022
Balance June 30, 2012	$27,907,880	$(3,046,158)	$24,861,722

Foreign currency adjustment is recorded in Deficit $3,960,138 (2011 - $3,960,138) and Accumulated other comprehensive income $913,980 (2011 - $614,296).

(Expressed in Canadian dollars)

6. Property, plant, and equipment

	Furniture & Office Equipment	Motor Vehicles	Building & Machinery	Total
Cost – June 30, 2011	$66,444	$16,211	$89,513	$172,168
Additions	39,455	99,334	461,337	600,126
Disposals	-	-	-	-
As at June 30, 2012	105,899	115,545	550,850	772,294
Accumulated depreciation: June 30, 2011	22,505	477	13,658	36,640
Depreciation	12,635	20,803	20,979	54,417
Disposals	-	-	-	-
As at June 30, 2012	35,140	21,280	34,637	91,057
Net book Value – June 30, 2012	$70,759	$94,265	$516,213	$681,237

	Furniture & Office Equipment	Motor Vehicles	Building & Machinery	Total
Cost – July 1, 2010	$21,106	$-	$26,554	$47,660
Additions	45,338	16,211	62,959	124,508
Disposals	-	-	-	-
As at June 30, 2011	66,444	16,211	89,513	172,168
Accumulated depreciation – July 1, 2010	9,661	-	9,899	19,560
Depreciation	12,844	477	3,759	17,080
Disposals	-	-	-	-
As at June 30, 2011	22,505	477	13,658	36,640
Net Book Value – June 30, 2011	$43,939	$15,734	$75,855	$135,528

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

During the year ended June 30, 2012, amortization of $54,417 (2011 - $17,080) was capitalized in exploration and evaluation assets.

7. Related party transactions

(a) On November 1, 2011, the Company signed an amended 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 provides a fully furnished and equipped business office with management, business administration shareholder services, securities administration, corporate and general administration 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 fully-equipped premises. Cabrera provided the same services to AME and X-Tal prior to signing the CSA. Management fees of $1,197,530 (2011 - $661,939) and rent of $180,063 (2011 - $72,829) were incurred during the year. Included in these management fees are wages and employee benefits paid to employees and senior management of $972,464 (2011 - $619,201). 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.

(b) At June 30, 2012, the Company had a liability to Cabrera $2,644 (a receivable from Cabrera as at June 30, 2011 - $112,528) from underpayment of management fees.

At June 30, 2012, $11,714 (June 30, 2011 - $23,193, July 1, 2010 - $10,751) was due to a company having directors in common with the Company.

(c) The Company incurred direct compensation to the officers of $790,125 (2011 - $744,584) and incurred stock based compensation costs of $821,477 (2011 - $1,094,207). Of the direct compensation, $155,062 (2011 - $79,500) was capitalized as exploration and evaluation assets.

8. Share capital

(a) Authorized

Unlimited common shares at no par value

(b) Pursuant to a Trust Agreement, dated April 1, 2010, between AME, a Trustee, and certain Beneficiaries, AME 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. The Trust Agreement requires the release of the Subject Shares to each of the Beneficiaries upon the vesting dates. During the year, the Trust transferred 495,000 (2011 – nil) shares to the beneficiaries. Compensation expense of $515,150 (2011 - $620,000) has been recorded.

8. Share capital (continued)

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

The 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 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 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 of $1,046,884.

The 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.

(Expressed in Canadian dollars)

9. Warrants

The following tables summarize information about the warrants outstanding at June 30, 2012:

	Number of Warrants	Weighted average exercise price
Balance, July 1, 2010		
Issued	10,353,015	$2.11
Expired	-	-
Balance, June 30, 2011	10,353,015	2.11
Expired	(10,353,015)	2.11
Balance, June 30, 2012	-	$-

The following tables summarize information about the agent's warrants outstanding at June 30, 2012:

	Number of agents' Warrants	Weighted average exercise price
Balance July 1, 2010		
Issued	682,641	$1.71
Exercised	(2,430)	1.00
Balance, June 30, 2011	680,211	1.72
Exercised	(275,620)	1.00
Expired	(404,591)	2.20
Balance, June 30, 2012	-	$-

(Expressed in Canadian dollars)

10. Stock option plan

Upon completion of the RTO transaction, the Company adopted a New Stock Option Plan (Plan) and all existing X-Tal and AME stock options continued as options under the Plan. The Plan provides for the granting of stock options to purchase a maximum of 10% of the 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, 2012 is as follows:

	Number of shares	Weighted average exercise price
Balance June 30, 2010	2,085,000	$0.37
Granted	2,505,000	1.27
Exercised	(219,583)	0.36
Forfeited	(218,750)	0.35
Balance June 30, 2011	4,151,667	0.92
Granted	800,000	1.40
Exercised	(251,667)	0.35
Forfeited	(1,061,333)	1.30
Balance June 30, 2012	3,638,667	$0.96

All of the 800,000 options granted during the year ended June 30, 2012 were granted to employees or others providing similar services.

The following table summarizes information about the options outstanding at June 30, 2012:

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	140,000	0.35	140,000	February 9, 2014
March 1, 2009	375,000	0.35	375,000	March 1, 2014
March 1, 2010	680,000	0.35	453,333	March 1, 2015
October 25, 2010	608,667	1.00	341,167	October 25, 2015
May 25, 2011	1,210,000	1.40	685,000	May 25, 2016
July 20, 2011	200,000	1.40	-	July 20, 2016
November 2, 2011	225,000	1.40	-	November 2, 2016
	3,638,667		2,194,500	

10. Stock option plan – (continued)

As at June 30, 2012 there are 650,000 non-employee options outstanding of which 325,000 are exercisable. As at June 30, 2012 the weighted average number of months remaining is 38 months.

During the year ended June 30, 2012, the Company recognized stock-based compensation of $809,324 (2011 - $678,839) related to the options. Of this amount $112,328 (2011 - $194,218) was capitalized in exploration and evaluation assets.

Assumptions applied to determine the fair value of options granted on November 2, 2011 were: risk-free interest rate – 2.1%; no expected dividends; expected option life –five years; expected stock price volatility – 76%; expected forfeitures – 9%; weighted average fair value of options granted at market prices - $0.71.

Assumptions applied to determine the fair value of options granted on July 20, 2011 were: risk-free interest rate – 2.1%; no expected dividends; expected option life –five years; expected stock price volatility – 76%; expected forfeitures – 9%; weighted average fair value of options granted at market prices - $0.71.

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%; expected forfeitures – 9%; 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%; expected forfeitures – 9%; weighted average fair value of options granted at market prices - $0.93.

The expected volatility is based on the Company's historical prices. The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche. Expected forfeitures are based on historical forfeitures of the Company's options.

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 $14,896 (2011 - 29,792) was recognized during the year with respect to the remaining shares.

11. Subsequent event

Subsequent to the year end, the Company granted 875,000 stock options to its directors, executives and employees at an exercise price of $0.70 per share, with an expiry date of October 10, 2017.

12. 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 $41,952,451 (June 30, 2011- $43,153,251, July 1, 2010 - $19,152,772). 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, 2012.

13. 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 cannot 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, 2012 there are adequate financial assets on hand to meet current trade liabilities.

13. Financial instruments (continued)

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, 2012, the Company's net financial assets were C$180,955 (F$325,810). A 100 basis points change in the value of the Canadian dollar would result in a foreign exchange gain or loss of approximately $3,258.

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.

14. 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, 2012	June 30, 2011
Net loss before income tax	$ 3,220,692	$ 8,507,486
Income tax rate	25.75%	27.50%
Expected tax recovery at statutory income tax rate	(829,328)	(2,339,558)
Increase(decrease) due to:		
Permanent differences	318,221	1,876,709
Effect on tax rate differences	(17,861)	(37,830)
True up and other adjustments	(268,982)	169,160
Tax effect of tax losses and temporary differences not recognized	797,950	331,519
	$ -	$ -

(Expressed in Canadian dollars)

14. Income taxes (continued)

Deferred income tax assets have not been recognized in respect of the following items:

	June 30, 2012	June 30, 2011	July 1, 2010
Tax loss carryforwards	$ 1,228,811	$ 430,862	$ 99,342
Share issuance costs	209,685	279,520	-
Net unrecognized deferred income tax assets	$ 1,438,496	$ 710,382	$ 99,342

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

As at June 30, 2012, the Company has non-capital losses, for Canadian income tax purposes, of approximately $4,915,000 to reduce future taxable income in Canada. These losses, if unused, will expire between 2027 and 2032.

15. Commitment

The Company, through its subsidiary AME, has a royalty agreement with Laimes Global Inc., a related party, whereby the Company will pay a perpetual production royalty of 0.5% to 1.5% of net smelter returns on the Fijian properties. For the fiscal year ended June 30, 2012, the Company had not entered into production on its Tuvatu property, and thus no royalties were recognized.

16. First-time adoption of International Financial Reporting Standards ("IFRS")

The Company adopted IFRS on July 1, 2011 with a transition date of July 1, 2010. Under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied. IFRS provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

a) ***IFRS exemption options***

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

Share-based payments

IFRS 1 permits the application of IFRS 2 Share Based Payments only to equity instruments granted after November 7, 2002 that had not vested by the date of transition to IFRS. The Company has applied this exemption and will apply IFRS 2 for equity instruments granted after November 7, 2002 that had not vested by July 1, 2010.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of July 1, 2010 are consistent with its GAAP estimates for the same date.

b) ***Reconciliations***

The adoption of IFRS has resulted in changes to the Company's reported financial position and results of operations. The Company's adoption of IFRS did not have an impact on the total operating, investing or financing cash flows. In order to allow the users of the financial statements to better understand these changes, the financial statements previously presented under Canadian GAAP have been reconciled to IFRS. For a description of the changes, see the discussion in Notes to the IFRS Reconciliations below.

(Expressed in Canadian dollars)

Reconciliation of Statements of Financial Position at July 1, 2010	Canadian GAAP	Effect of IFRS Transition	Note	IFRS
Assets				
Current assets:				
Cash and cash equivalents	$ 140,571			$ 140,571
HST and VAT recoverable	31,634			31,634
Prepaid expenses	5,533			5,533
Deposits	19,313			19,313
	197,051	-		197,051
Due from related parties	11,018			11,018
Plant, property and equipment	33,749	(5,649)	(iv)	28,100
Exploration and evaluation assets	6,038,982	13,239,506	(ii),(iv)	19,278,488
	$ 6,280,800	$ 13,233,857		$ 19,514,657
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$ 82,578			$ 82,578
Due to related parties	279,307			279,307
	361,885	-		361,885
Deferred income tax liability	964,381	(964,381)	(ii)	-
Shareholders' equity:				
Share capital	5,202,469	18,376,691	(ii)	23,579,160
Contributed surplus	15,330,912	2,164	(i)	15,333,076
Deficit	(15,578,847)	(4,180,617)	(i),(ii),(iv)	(19,759,464)
	4,954,534	14,198,238		19,152,772
	$ 6,280,800	$ 13,233,857		$ 19,514,657

(Expressed in Canadian dollars)

Reconciliation of Statements of Financial Position at June 30, 2011	Canadian GAAP	Effect of IFRS Transition	Note	IFRS
Assets				
Current assets:				
Cash and cash equivalents	$ 20,829,922			$ 20,829,922
HST and VAT recoverable	349,362			349,362
Due from related parties	112,528			112,528
Other receivables	97,626			97,626
Prepaid expenses	13,612			13,612
Deposits	58,426			58,426
	21,461,476	-		21,461,476
Restricted cash	75,000			75,000
Due from related parties	23,193			23,193
Plant, property and equipment	137,653	(2,125)	(iv)	135,528
Exploration and evaluation assets	8,365,454	13,302,246	(i),(ii),(iii),(iv)	21,667,700
	$ 30,062,776	$ 13,300,121		$ 43,362,897
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$ 209,646			$ 209,646
Due to related parties	-			-
	209,646	-		209,646
Deferred income tax liability	1,673,377	(1,673,377)	(ii), (iii)	-
Shareholders' equity:				
Share capital	28,623,722	24,456,192	(ii),(iv),(v)	53,079,914
Warrants	1,613,399			1,613,399
Contributed surplus	15,736,743	190,266	(i)	15,927,009
Other comprehensive income	-	616,214	(iv)	616,214
Deficit	(17,794,111)	(10,289,174)	(i),(ii),(iv),(v)	(28,083,285)
	28,179,753	14,973,498		43,153,251
	$ 30,062,776	$ 13,300,121		$ 43,362,897

(Expressed in Canadian dollars)

Reconciliation of Statements of Loss and Comprehensive Loss at June 30, 2011		Canadian GAAP	Effect of IFRS Transition	Note		IFRS
GENERAL AND ADMINISTRATIVE EXPENSES						
Consulting fees	$	187,462	-		$	187,462
Foreign exchange (gain) loss		19,420	(94,006)	(iii),(iv)		(74,586)
Licenses, dues and other fees		8,447	-			8,447
Investor relations		269,857				269,857
Management fees		455,622	-			455,622
Office and miscellaneous		33,975	-			33,975
Professional fees		111,809	-			111,809
Rent		72,829				72,829
Shareholder communications and regulatory filings		35,645				35,645
Stock based compensation		1,053,058	123,062	(i)		1,176,120
Travel		216,661	-			216,661
Operating loss		2,464,785	29,056			2,493,841
OTHER INCOME						
Interest income		(90,702)				(90,702)
Listing fee on amalgamation			6,104,347	(v)		6,104,347
OTHER COMPREHENSIVE INCOME (LOSS)						
Foreign exchange (gain) loss		-	(616,214)	(iv)		(616,214)
Comprehensive loss for the year		2,374,083	5,517,189			7,891,272

Notes to the IFRS reconciliations:

i) Share-based payments

Under Canadian GAAP, forfeitures of stock-based awards are recognized as they occur. Under IFRS, a fair value measurement is required for each vesting installment within the option grant. Each installment must be valued separately, based on assumptions determined from historical data, and recognized as compensation expense over each installment's individual tranche vesting period. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. As at July 1, 2010, this accounting policy change resulted in an increase in contributed surplus of $2,164, and a corresponding increase in deficit. As at June 30, 2011, and for the year then ended, this accounting policy change resulted in an increase in contributed surplus of $188,102 (in aggregate $190,266), an increase in deficit of $123,062 (in aggregate $125,226), an increase of $123,062 in stock-based compensation expense and an increase of $65,040 in the carrying value of exploration and evaluation assets.

(Expressed in Canadian dollars)

ii) Tuvatu property acquisition

In September 2008, the Company acquired the Tuvatu property by purchasing the outstanding common share of Laimes International Inc. Under Canadian GAAP, this acquisition resulted in a future income tax liability of $1,177,047 and an increased share capital value of $3,026,691 with a corresponding increase in mineral properties. The future income tax liability was recognized and measured in accordance with CICA section 3465 Income Taxes. Under IFRS 3 and IFRS 2, the acquisition of Laimes is treated as an asset purchase, with the fair market value of the assets and liabilities being recorded as at the date of acquisition as follows:

September 2008	CGAAP	IFRS	Adjustments
Exploration and evaluation assets	4,203,738	21,403,382	17,199,644
Future Taxes	1,177,047	-	- 1,177,047
Common shares	3,026,691	21,403,382	18,376,691

The assets are being held by Lion One Limited, thus the value of the assets are measured in its functional currency, the Fijian dollar. On consolidation, the assets are converted utilizing the current exchange rates in effect at the date of consolidation. The impact of the changes in the currency are reflected as Deficit for periods prior to July 1, 2010 and the recognition of Other Comprehensive Income for subsequent periods.

	CGAAP	IFRS	Adjustments
July 1, 2010			
Exploration and evaluation assets	4,203,738	17,570,729	13,366,991
Future Taxes	964,381	-	- 964,381
Common shares	3,026,691	21,403,382	18,376,691
Retained earnings (deficit)	212,666	- 3,832,653	- 4,045,319
June 30, 2011			
Exploration and evaluation assets	4,203,738	18,228,227	14,024,489
Future Taxes	1,002,434	-	- 1,002,434
Common shares	3,026,691	21,403,382	18,376,691
Retained earnings (deficit)	174,613	- 3,832,653	- 4,007,266
Accumulated comprehensive income		657,498	657,498

iii) Exploration expenditures – deferred income tax liability

In fiscal 2011, the Company capitalized certain mineral property exploration costs incurred by the Company on behalf of certain of its foreign subsidiaries. Under Canadian GAAP, a future income tax liability was recognized and measured in accordance with CICA section 3465 Income Taxes, with a corresponding increase to the carrying value of mineral property assets. Under IAS 12 Income Taxes, this deferred tax liability and the related gross-up in the carrying value of exploration and evaluation assets would not be recognized, either on acquisition or subsequently. As at June 30, 2011, this change in accounting policy resulted in a decrease of $670,943 of deferred income tax liability, a decrease in exploration and evaluation assets of $703,000, an increase in deficit of $32,057.

iv) Investment in foreign subsidiary – foreign currency translation

The Company's foreign subsidiary, Lion One Limited, was acquired as part of the Laimes transaction discussed above. Under Canadian GAAP, the foreign currency translation was determined based on Lion One Limited having as its functional currency, the Canadian dollar. Under IAS 21 The Effects of Changes in Foreign Exchange Rates, the functional currency of Lion One Limited is based on the economic substance of the currency utilized by the entity, and is not based on management control. Accordingly, under IFRS, Lion One Limited's functional currency has been determined to be the Fijian dollar. As a result of this change in Lion One Limited's functional currency, as at July 1, 2010, there was a decrease in exploration and evaluation assets of $127,485, a decrease in property, plant and equipment of $5,649 and an increase in the deficit of $133,134. As at June 30, 2011, this change in functional currency resulted in an increase in exploration and evaluation assets of $43,202 (in aggregate a net decrease of $84,283), an increase in property, plant and equipment of $3,524 (in aggregate a net decrease of $2,125), an increase in deficit of $133,134, a decrease in other comprehensive income of $41,284 and a decrease in foreign exchange loss of $88,010.

v) Capital structure – reverse take over

As described in Note 2 of these financial statements, on November 1, 2010, AME entered into a merger agreement with X-Tal Minerals Corp.

Under Canadian GAAP, the substance of the transaction was a capital transaction and accounted for as a reverse takeover that does not constitute a business combination in accordance with EIC-10 Reverse Takeover Accounting of the CICA Handbook. Accordingly, AME was considered to have acquired the assets and liabilities of X-Tal.

Under Canadian GAAP, the net liability acquired was charged to deficit. X-Tal's retained earnings, share capital and contributed surplus were eliminated upon consolidation. All transaction costs ($167,040) were paid by X-Tal and included in the pre-amalgamation deficit balance.

IFRS requires the Company to fair value the equity instruments given up in the merger in order to value the unidentified assets received as part of the merger. The difference between the fair value of the equity instruments given up and the net identifiable monetary liability acquired represents the value of the unidentifiable monetary liability acquired, namely, the listing fee. The listing fee does not meet the definition of an asset under IFRS; therefore, the cost is expensed at the date of the merger.