Form 52-102F1
Management's Discussion and Analysis
Year Ended June 30, 2012

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Lion One Metals Limited
Management Discussion and Analysis
For the year ended June 30, 2012
(All amounts are expressed in Canadian dollars, unless otherwise stated)

This Management Discussion and Analysis ("MD&A") of Lion One Metals Limited ("Lion One" or the "Company") has been prepared as at October 18, 2012
The following discussion of the operating results and financial position of the Company should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended June 30, 2012. All financial information in this document has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board unless otherwise indicated. This MD&A covers the Company's first financial reporting year under IFRS; a detailed discussion of the transition to IFRS from Canadian generally accepted accounting principles is included in Note 15 of the accompanying financial statements. All amounts have been stated in Canadian dollars, unless otherwise stated.

Additional information related to the Company is available for view on SEDAR at www.sedar.com and on the Company's website at www.liononemetals.com .

CAUTION ON FORWARD-LOOKING INFORMATION

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

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

OVERVIEW

Lion One Metals Limited (formerly X-Tal Minerals Corp. or “X-Tal”) was incorporated under the laws of the Province of British Columbia and is focused on the acquisition, exploration, and development of mineral resource properties in the Fijian islands. The Company’s primary asset is the development-stage Tuvatu Gold Project located near Nadi on the island of Viti Levu. The Company’s mineral tenements cover 38,000 hectares under five exploration licenses (“Special Prospecting Licenses”, or “SPL’s”) granted by Fiji’s Department of Mineral Resources.

On January 28, 2011, Lion One completed a business combination between the Company (formerly X-Tal Mineral Corp. (“X-Tal”) and American Eagle Resources, Inc. (“AME”) in which X-Tal completed a reverse takeover (the “RTO”) of AME, acquired the Fijian assets of AME, and completed a name change to Lion One Metals Limited. The Company trades on the TSX Venture Exchange under the symbol “LIO”.

Tuvatu Gold Project

The Tuvatu Gold Project (“Tuvatu”) has been subject to significant historic exploration and development work by previous operators, the most recent being the Emperor Gold Mining Company of Australia, which advanced Tuvatu through feasibility studies, project engineering, and trial mining from 1997 through 2001. In addition to acquiring the SPL’s covering the Tuvatu property, the Company acquired extensive exploration and development databases, including data from over 600 historic drill holes, metallurgical studies, mine models, resource estimates, engineering studies, and financial models.

Lion One’s business objective is to advance Tuvatu towards commercial production, through continued exploration and expansion of resources towards the establishment of an economically viable gold deposit. Current mineral resources as reported in the “Technical Report and Resource Estimate on the Tuvatu Gold Property, Viti Levu, Fiji” dated October1, 2010 by P&E Mining Consultants include inferred resources of 480,000 ounces of gold (2.618 million tonnes grading 5.71 g/t Au) and indicated resources of 172,000 ounces of gold (760,000 tonnes grading 7.05 g/t Au). Additional information with respect to the technical report is available on the Company’s website.

The Company is focused on the following strategic priorities:

- Resource expansion, exploration, and development of the Tuvatu Gold project
- Regional exploration near Tuvatu, early-stage exploration on Viti Levu and Vanua Levu
- Sourcing capital for continued exploration, development of assets, and future exploration and acquisitions
- Working with the Fijian government departments to secure environmental permits and convert exploration licenses to mining licenses; and
- Updating historic feasibility study to reflect the current economic environment

OVERALL PERFORMANCE

Drilling at Tuvatu Gold Project

In the fourth quarter of fiscal 2012, the Company began a drilling program consisting of a combination of infill and step out holes for a total of 5,000 meters of diamond drilling. The objective of the program is to upgrade existing inferred resources to the indicated category, add new resources, and capture further historic resources. Details on the scope of the drill program are included in the news release dated June 5, 2012.

On September 6, 2012, the Company published the assay results for the first two drill holes from the diamond drilling program. The results confirm lateral continuity of the east-west trending Murau Lodes, intersecting down dip mineralization along strike 80 meters to the west. Notable intersections include 16.15 g/t gold over 3.78 meters at 121.99 meters depth from TUDDH-347, and 23.03 g/t gold over 7.49 meters at 155.05 meters depth from TUDDH-348. These intervals include bonanza grades of 248 g/t gold over .09 meters from TUDDH-347, and 855 g/t gold over 0.17 meters from TUDDH-348. Extensions of these lodes have been mapped at surface along strike up to 1,330 meters to the west of the Tuvatu resource area.

On September 20, 2012, the Company reported the assay results for a third drill hole. The results continue to confirm the lateral continuity of the Murau Lodes, with this third hole collared near the intersection of the east-west trending Murau Lodes with the north-south trending Upper Ridges Lodes. The mineralization and geologic units intercepted in this hole are consistent with interceptions of bonanza grades over significant widths encountered in the first two holes of the program. These holes were collared 80 meters to the east, along strike of the most recently completed drill hole, TUDDH349. The bonanza grades in the Murau Lodes lie within structural zones associated with the Viti Levu Lineament and are consistent with dilation zones in Riedel Shears. More than 1,400 structural measurements have been taken by Company's geological team and structural interpretation is ongoing.

Notable intersections include 11.77 g/t gold over 1.83 meters (true width) from 128.55 meters depth in the Murau 2 Lode. Extensions of these lodes have been mapped at surface along strike up to 1,330 meters to the west of the Tuvatu resource area.

Assays are pending for results from three other completed holes, including two holes drilled near the Tuvatu portal that tested extensions of the north-south trending UR lodes. A second drill rig has been mobilized to the Tuvatu property. Lion One is targeting the western extensions of the Murau lodes and the northern extensions of the UR lodes in an effort to significantly expand the current resource base at Tuvatu.

Testing detail is summarized in the May 7, September 6 and September 20, 2012 news releases published at www.sedar.com.

Metallurgical Testing

Concurrent with the 2012 drill program, the Company is undertaking metallurgical test work on the Tuvatu Gold Project. The work has confirmed the reliability of previous metallurgical test work and confirms that various ores from Tuvatu are amenable to conventional crushing, grinding and flotation processing techniques.

The Company has commenced further optimization studies to evaluate a configuration that includes the combination of a cone crusher, two stage ball milling, in-line pressure gravity concentration, and two additional points of gravity concentration, followed by flotation at a coarse grind size and CIL leaching or direct sale of concentrates. The Company believes that this proposed configuration could enhance recoveries of both coarse and fine gold, and may have potentially attractive capital and operating cost parameters.

The Company is incorporating these tests into an update of the previously conducted feasibility study and will include an updated mine plan and production overview. The Company will report the conclusions of this work to the Mineral Resources Department of Fiji (MRD), in line with its regulatory requirements, in anticipation of securing formal permitting required for the commencement of mining operations, extraction, and processing.

Discussion regarding historic metallurgical test work on Tuvatu is included in the news release dated September 17, 2012.

Darcy Krohman, P.Geo, a Qualified Person under the meaning of Canadian National Instrument 43-101 is responsible for the technical content of this Management's Discussion and Analysis.

Capitalized Exploration and Evaluation Assets:

	Cost July 1, 2010	Additions/ (Disposals)	Cost June 30, 2011	Additions/ (Disposals)	Cost June 30, 2012
Tuvatu Property					
Acquisition costs	21,915,063	-	21,915,063	-	21,915,063
Salaries and benefits	442,973	519,379	962,352	726,025	1,688,377
Consultants	143,020	656,391	799,411	597,899	1,397,310
Camp costs, accomodation and housing	-	32,376	32,376	389,170	421,546
Drilling costs	113,679	-	113,679	65,667	179,346
Sample preparations, assaying, analysis	47,738	82,037	129,775	436,413	566,188
Office and administration	245,594	195,585	441,179	115,488	556,667
Road building and site works	129,642	66,975	196,617	301,559	498,176
Overseas travel, meals, and accomodatio	93,439	158,984	252,423	132,209	384,632
Amortization	18,200	17,080	35,280	61,242	96,522
Vehicles and freight	63,396	30,206	93,602	66,785	160,387
Other	25,882	15,903	41,785	1,881	43,666
Cumulative foreign currency adjustment	(3,960,138)	614,296	(3,345,842)	299,684	(3,046,158)
	19,278,488	2,389,212	21,667,700	3,194,022	24,861,722

The capitalization of exploration and evaluation assets schedule has been prepared in accordance to the IFRS, as reported in the Company's annual consolidated financial statements. The IFRS standards were adopted by the Company on July 1, 2010. Please refer to note 16 of the audited consolidated financial statements for a detailed description of the changes in the accounting presentation.

Selected Annual Information

The following table provides a brief summary of Lion One Metal's financial operations. As described in the Critical Accounting Policies and Estimates section, the Company has prepared its 2012 and 2011 comparative year in accordance with IFRS. The information, as set out below, for the 2010 fiscal year has been prepared in accordance with Canadian Generally Accepted Accounting Standards (CGAAP), Accordingly, users are being advised that there is lack of comparability between the amounts for the fiscal 2010 and the amounts for the fiscal 2012 and 2011.

	Years Ended June 30		
	2012 $	2011 $	2010 $
Operations:	**IFRS**	**IFRS**	**CGAAP**
Interest Income	233,956	90,702	-
Net Loss	3,220,692	8,507,486	377,672
Net Loss per share	0.07	0.28	0.02
Comprehensive loss	2,904,648	7,891,272	377,672
Comprehensive loss per share	0.06	0.26	0.02
Dividends	-	-	-
Statement of Financial Position	**IFRS**	**IFRS**	**IFRS**
Working Capital	16,334,492	21,251,830	(164,834)
Exploration and evaluation assets	24,861,722	21,667,700	19,278,488
Total Assets	42,096,133	43,362,897	19,514,657
Non-current financial liabilities	-	-	-

Overview of Financial Information

The Company's expenditures are primarily directed toward the exploration and development of its Fijian properties. The increase in exploration and evaluation assets reflects investment expenditures of $2,894,338 and $1,774,916 in fiscal 2012 and 2011 respectively. The Fijian exploration and evaluation assets are recorded in Fijian dollars and are subject to an adjustment at the end of each reporting period, reflecting the currency fluctuation between the Fijian dollar and the Canadian dollar. In fiscal 2012, the Company realized a positive gain of $299,684 (2011 - $614,296) to the carrying value of its assets as the Fijian dollar strengthened relative to the Canadian dollar.

The net loss for the year ended June 30, 2012 was $3,220,692 compared to a net loss of $8,507,486 at June 30, 2011. The difference is primarily due to the listing fee expense recognized in 2011 on the reverse takeover transaction with AME, $6,104,347, as detailed in note 2 of the audited consolidated financial statements for the year ended June 30, 2012. Other expenditures incurred by the Company increased which can be attributed to a full year of expenditures incurred following the re-organization of the corporate entity. Regular expenditures and operations were reported following completion of the RTO on January 28, 2011. A detailed discussion of financial expenditures is provided under "Review of Operations".

Capital Resources

During the year ended June 30, 2012, the Company issued 527,287 common shares during the period pursuant to the exercise of 251,667 stock options for proceeds of $88,084, and the exercise of 275,620 agents warrants for proceeds of $275,620. The Company did not issue any common shares through equity private placements during the period ending June 30, 2012, as sufficient capital was raised during the period ending June 30, 2011 to fund ongoing operations. The Company raised $11,500,000 (11,500,000 units priced at $1.00) in January 2011 in connection with its RTO and a further $14,269,345 (9,206,029 units priced at $1.55) in April 2011. This accounts for the significant increase in total assets between June 30, 2010 and June 30, 2011 as shown in the table above. All outstanding warrants issued in connection with these equity financings expired during the year.

Total common shares outstanding as at June 30, 2012 were 48,868,827. Working capital as at June 30, 2012 was $16,334,492 compared to $21,251,830 as at June 30, 2011, due to exploration and evaluation expenditures, plant, property and equipment acquisitions and operations.

Management of the Company believes that the current level of funds is expected to be sufficient to carry out its business objectives over the next twelve months. The Company continues to explore financing sources in the form of equity, debt, or combinations thereof but warns that current market conditions and economic volatility increase uncertainty in financial markets and make reliable forecasting difficult. Other risk factors affecting the Company's ability to raise equity or debt financing include but are not limited to uncertainty in credit and equity markets, volatility in currencies and commodities, geopolitical risk inherent in operating in foreign jurisdictions, and the outcome of future feasibility studies or factors influencing the Company's ability to develop economically viable mineral projects. Due to the low interest rate environment, income from interest is not expected to be a source of income or cash flow. Management intends to monitor expenditures and assess results and will amend activities as required.

REVIEW OF OPERATIONS

Summary of Quarterly Results

	Year Ending June 30, 2012				Year Ending June 30, 2011			
	Sept. 30, 2011 $	Dec. 31, 2011 $	March 31, 2012 $	June 30, 2012 $	September 30, 2010 $	December 31, 2010 $	March 31, 2011 $	June 30, 2011 $
Total interest income	64,050	61,529	55,721	52,656	0	0	31,682	59,020
Loss from continuing operations	1,078,748	760,384	670,755	710,805	173,522	126,535	6,937,607	1,269,822
Loss from continuing operations per share	0.02	0.02	0.01	0.02	0.01	0.01	0.21	0.04
Comprehensive loss – total	1,078,748	760,384	670,755	394,761	173,522	126,535	6,937,607	653,608
Comprehensive loss per share	0.02	0.02	0.01	0.01	0.01	0.01	0.21	0.03

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

The selected financial information was derived from the audited consolidated financial statements of the Company prepared in accordance with the IFRS**.**

During the three month period ending June 30, 2012, the Company reported a net loss of $710,805 ($0.01 per share) compared to a net loss of $1,269,822($0.04 per share) for the three month period ended June 30, 2011. This decrease of $559,017 can be attributed to the costs incurred in 2011 relating to the private placements in April 2011.

The Company is not subject to seasonality or cyclical fluctuations; significant changes from period to period are typically reflective of specific transactions discussed in this document and as disclosed on an on-going basis by management.

Annual Results of Operations

		Year ended June 30, 2012		Year ended June 30, 2011
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		993,177		455,622
Office and miscellaneous		63,562		33,975
Professional fees		109,044		111,809
Rent		180,063		72,829
Shareholder communications and regulatory filings		59,883		35,645
Stock based compensation		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		-		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

Financial Discussion for the Year ended June 30, 2012

The Company's net loss for the year ended June 30, 2012 was $3,220,692 ($0.07 per diluted share), compared with $8,507,486 ($0.28 per diluted share) for the year ended June 30, 2011. This decrease is primarily attributed to the listing fee expense recognized of $6,104,347 on the RTO in the third quarter of 2011 which accounted for a one-time charge of $6,104,347 to net loss. Further, fiscal 2012 reflects consolidated operations post-RTO for a full fiscal year whereas consolidated operations are only reflected by the results in the third and fourth quarters in fiscal 2011.

Prior to the recognition of the listing fee, the effective net loss for fiscal 2011 would have been $2,403,139 indicating an overall increase in operating expenditures pursuant to the completion of the business combination.

The Company's comprehensive loss for the year ended June 30, 2012 was $2,904,648 ($0.06 per diluted share), compared with $7,891,272 ($0.26 per diluted share) for the year ended June 30, 2011. The comprehensive income has decreased from 2011 due to a less significant gain in the foreign exchange rate between the Fijian dollar and the Canadian dollar.

The Company's expenditures have increased materially since the third quarter of the 2011 fiscal year as exploration and evaluation (E&E) activities in Fiji have expanded. As E&E has increased in Fiji, head office expenditures in Vancouver have also increased as financing, investor relations, travel and administrative activities. Stock based compensation, a non-cash item, for the year ended June 30, 2012 of $1,228,042 (2011: $1,176,120) relates to the stock option grants and compensation relating to trust shares. Interest revenue for the year ended June 30, 2012 of $233,956 (2011: $90,702) reflects amounts accrued on deposit from the December, 2010 and April, 2011 private placements.

There is an overall increase in expenses for the year ended June 30, 2012 over the comparative year wherein consolidated operations commenced upon completion of the RTO on January 28, 2011.

The significant items for the year ended June 30, 2012, compared to the year ended June 30, 2011, were:

a. Consulting fees of $234,800 (2011: $187,462) include the costs incurred relating to the Company's president ($75,000), corporate secretary ($72,000) and chief financial officer ($54,000). These positions were contract positions in the fiscal year. In the previous year, fees of $166,875 were paid to the President. Other incidental consulting fees are incurred for information technology, legal and other purposes. The chief financial officer was an employee of the Company until November 2011.

b. Investor relations expenditures of $366,636 (2011: $ 269,857) reflects the cost to maintain the communications with the Company's shareholders and potential investors. In the previous year, the costs related to a marketing campaign subsequent to the Company's initial public offering. In addition the investor relations cost for 2011 related to the period subsequent to the Reverse Takeover.

c. Management fees of $993,177(2011: $455,622) are paid to Cabrera Capital Corp. (see transaction with related parties below). Management fees consist of salaries and benefits, business administration shareholder services, securities administration, and corporate services. In aggregate, Cabrera Capital Corp received management fees of $1,197,530 (2011: $661,939) of which $993,177 (2011: $455,622) was charged to operations and $204,353 (2011: $206,317) charged to exploration and evaluation assets. The major components of management fees are: salaries and benefits of $972,464 (2011 - $619,201), consulting costs of $21,181 (2011: $18,493), office supplies of $26,215 (2011: $21,396), and telephone costs of $87,653 (2011: $40,230). Salaries and benefits increased due to the hiring of several new employees, including Senior Geologists and a Site Manager. In addition, costs relating to the full time employment of the CFO, Vice President Exploration, Controller, senior accountant and other investor relations and administrative staff. Telephone costs increased due to having more employees, with increased communication to staff in Fiji and with world-wide investor communications programs.

d. Travel of $141,283 (2011: $216,661) was incurred in conjunction with various corporate activities and maintaining operations in Fiji. In the previous year, additional costs were incurred in relation to the financing and the reverse take-over transaction.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages its liquidity risk by maintaining adequate cash balances in order to meet short term business and operating requirements. The Company does not generate revenue from operations and its ability to conduct exploration and development work on its properties is largely based on its ability to raise capital by equity private placements. The Company has previously obtained funding via private placements and was funded privately by companies controlled by the Chairman of the Company prior to the RTO.

The Company had cash and cash equivalents totaling $15,971,997 at June 30, 2012 as compared to $20,829,922 at June 30, 2011. The working capital surplus of $16,334,492 at June 30, 2012 declined from the previous surplus of $21,251,830 as at June 30, 2011. Funds used for operating activities during the year ended June 30, 2012 were $2,021,474 (2011: $1,793,916) and funds used for investments in exploration and equipment were $3,399,408 (2011: $1,413,975). The increases reflect the costs incurred to engage and manage mineral exploration. As the Company advances its mineral properties additional financing will be required to fund exploration, development, and mining activities. The Company believes it has sufficient capital to continue operations for the next twelve month period.

Capital Requirements

The Company was granted Special Prospecting Licenses (“SPL”) by the Fijian government for carrying out exploration activities on the Tuvatu property. Annual expenditure commitments for SPL 1283/1296 and SPL 1465 are Fijian $ 1,400,000 and Fijian $600,000 respectively. Under the terms of these licenses the Company is required to spend the following minimum amounts on exploration activities:

	Issued	Expires	Bond (Fijian dollars)	Bond C$	Expenditure requirement (Fijian dollars)	Expenditure requirement C$
SPL 1283 and 1296	01-Jul-10	30-Jun-13	$ 20,000	$ 11,108	$ 4,200,000	$ 2,332,680
SPL 1465	01-Jul-10	30-Jun-13	10,000	5,554	1,800,000	999,720
SPL 1467	01-Jul-11	15-Apr-12	11,000	6,109	110,000	61,094
SPL 1468	01-Jul-11	15-Apr-12	4,000	2,222	40,000	22,216
As at June 30, 2012			$ 45,000	$ 24,993	$ 6,150,000	$ 3,415,710

The Company has received confirmation that the SPL 1467 and SPL 1468 are in the process of being renewed for the current fiscal period.

A summary of the activity under the stock option plan and warrants as of June 30, 2012 are 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

Warrants summary

	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
Exercised			
Expired	(10,353,015)	$	2.11
Balance, June 30, 2012	-		-

Agent's warrants summary:

	Number of agent's warrants		Weighted average exercise price
Balance, June 30, 2010			
Granted	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	-	$	-

OFF-BALANCE SHEET ARRANGEMENTS

As at June 30, 2012 the Company had no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

Except as disclosed elsewhere in this document, there are no other proposed transactions under consideration.

RELATED PARTY TRANSACTIONS

On November 1, 2011, the Company signed a new 5 year Management and Corporate Services Agreement (CSA) with Cabrera Capital Corp.(Cabrera), a management services company having a number of directors and or 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, 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 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 period.

Management Compensation

The Company incurred direct compensation to their executive 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

SUBSEQUENT EVENT

Subsequent to the year end, the Company granted 875,000 stock options to certain directors, officers, and employees at an exercise price of $0.70. The options granted have a three year vesting period (1/3 annually) and expire five years from the grant date.

FINANCIAL INSTRUMENTS AND OTHER 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.

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.

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.

The Company does not engage in hedging activities.

RISKS AND UNCERTAINTIES

Companies in the exploration stage face a variety of risks and, while unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible. The Company faces a variety of risk factors such as project feasibility and practically, risks related to determining the validity of mineral property title claims, grant of mining permits, commodities prices, changes in laws and environmental laws and regulations. Management monitors its activities and those factors that could impact them in order to manage risk and make timely decisions.

Risks and uncertainties the Company considers material in assessing its financial statements are described below.

Lion One is subject to government regulation

The Company's mineral exploration is, and any development activities will be, subject to various laws governing exploration, development, production, taxes, labor standards and occupational health, mine safety, environmental protection, toxic substances, land use, water use and other matters. Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory authorities curtailing the Company's operations or requiring corrective measures, any of which could result in the Company incurring substantial expenditures. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration or development.

Lion One will require various permits to enable it to conduct its current and anticipated future operations.

The Company's current and anticipated future operations, including further exploration and development activities and the commencement of production from the Company's portfolio of exploration and evaluation assets in Fiji require the granting of the necessary permits from various federal and local authorities. The granting, continuing validity and enforcement of the terms of such concessions and permits are, as a practical matter, often subject to the discretion of the applicable governments or government officials. There can be no assurance that all concession and permits that the Company requires will be obtainable on reasonable terms, or at all, or will continue to be valid. Further, delays or failure to obtain such concession and permits, the withdrawal, expiry or non-renewal of existing concessions and permits, or failure to comply with the terms of such concessions and permits could have a material adverse impact on the Company.

Exploration, development and mining activities can be hazardous and involve a high degree of risk.

The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of base or precious metals, including, without limitation, unusual and unexpected geologic formations, seismic activity, rock bursts, pit-wall failures, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and legal liability. Milling operations, if any, are subject to various hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

Infrastructure

Exploration, development and ultimately mining and processing activities depend, to one degree or another, on the availability of adequate infrastructure. Reliable air service, roads, bridges, power sources and water supply are significant contributors in the determination of capital and operating costs. Inadequate infrastructure could significantly delay or prevent the Company exploring and developing its projects and could result in higher costs.

Lion One may be adversely affected by fluctuations in commodity prices.

The value and price of the Company's common shares, the Company's financial results, and exploration, development and mining activities of the Company, if any, may be significantly adversely affected by declines in the price of gold and other key commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as interest rates, exchange rates, inflation or deflation, global and regional supply and demand, and the political and economic conditions of mineral producing countries throughout the world.

The Company's success depends in part on its ability to recruit and retain qualified personnel. Due to its relative size, the loss of the services of one or more of such key management personnel could have a material adverse effect on the Company. In addition, despite its efforts to recruit and retain qualified personnel, even when those efforts are successful, people are fallible and human error could result in a significant uninsured loss to the Company.

OUTSTANDING SHARE DATA

At the date of filing, 48,868,827 common shares are issued and outstanding.

The following table summarizes information about stock options outstanding as of the date of this MD&A:

Date of Expiry	Number of Options Outstanding	Exercise Price	Number of Options Exercisable
February 6, 2013	200,000	$0.50	200,000
February 9, 2014	140,000	0.35	140,000
March 1, 2014	375,000	0.35	375,000
March 1, 2015	680,000	0.35	453,356
October 25, 2015	608,667	1.00	251,670
May 25, 2016	1,085,000	1.40	535,000
July 20, 2016	200,000	1.40	-
November 2, 2016	225,000	1.40	-
October 10, 2017	875,000	0.70	
	4,388,667		1,955,026

The Company does not have any outstanding warrants as of the date of this MD&A.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's financial statements and the information included in this MD&A have been prepared in accordance with IFRS guidelines as defined by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee that are effective as at June 30, 2012, the date of the Company's first annual reporting period under IFRS. The adoption of IFRS does not impact the underlying fundamentals of the Company's operations.

The financial statements for the year ended June 30, 2012 are the first annual consolidated financial statements prepared in accordance with IFRS as defined by the IASB. The Company has applied *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1") on the transition from previous Canadian Generally accepted Accounting Principles ("Canadian GAAP") to IFRS and the impact is explained in Notes 3 and 16 of the financial statements for the year ended June 30, 2012, and includes comments on the effects of the transition to IFRS on the Company's financial position, equity, comprehensive loss and cash flows.

Subject to application of the transition elections described in the Notes to the financial statements, the accounting policies applied in these consolidated financial statements , have been applied consistently to all periods presented, including the opening statement of financial position as at July 1, 2010 (the Company's "Transition Date"), except where the Company applies certain exemptions upon transition to

IFRS. Comparative information it this annual MD&A has been restated to comply with IFRS requirements, unless otherwise indicated.

FUTURE CHANGES IN ACCOUNTING POLICIES

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended June 30, 2012:

- IFRS 7 Financial instruments disclosure amendment for additional disclosures with the initial application of IFRS 9(i)
- IFRS 9 New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets[(iii)]
- IFRS 10 New standard to establish principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities [(i)]
- IFRS 11 New standard to account for the rights and obligations in accordance with a joint agreement[(i)]
- IFRS 12 New standard for the disclosure of interests in other entities not within the scope of IFRS 9/IAS 39[(i)]
- IFRS 13 New standard on the measurement and disclosure of fair value[(i)]
- IAS 1 (Amendment) Presentation of other comprehensive income[(ii)]
- IAS 28 (Amendment) New standard issued that supersedes IAS 28 (2003) to prescribe the accounting for investments in associates and joint ventures[(i)]

[(i)] Effective for annual periods beginning on or after January 1, 2013
[(ii)] Effective for annual periods beginning on or after July 1, 2012
[(iii)] Effective for annual periods beginning on or after January 1, 2015

USE OF ESTIMATES

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

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

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

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

Stock based compensation is subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

APPROVAL

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