LION ONE METALS

(A Development Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE AND SIX MONTH PERIODS ENDED DECEMBER 31, 2012

LION ONE METALS LIMITED

(A Development Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited)

(Expressed in Canadian dollars)

AS AT

	December 31, 2012	June 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	$ 13,732,927	$ 15,971,997
HST and VAT receivable	483,318	429,418
Other receivables	26,852	29,410
Prepaid expenses	12,012	16,256
Due from related parties (Note 6)	17,987	-
Deposits (Note 4(a))	30,007	31,093
	14,303,103	16,478,174
Restricted cash (Note 3)	75,000	75,000
Property, plant and equipment (Note 5)	744,829	681,237
Exploration and evaluation assets (Note 4(b))	26,797,214	24,861,722
	$ 41,920,146	$ 42,096,133
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 179,253	$ 129,324
Due to related parties (Note 6)	-	14,358
	179,253	143,682
Shareholders' equity:		
Share capital (Note 7)	54,248,397	54,118,197
Contributed surplus	18,318,410	18,205,973
Accumulated other comprehensive income	1,528,848	932,258
Deficit	(32,354,762)	(31,303,977)
	41,740,893	41,952,451
Nature of business and future operations (Note 1)		
Commitments (Notes 6 and 12)		
Subsequent events (Notes 14 and 15)		
	$ 41,920,146	$ 42,096,133

See accompanying notes to the condensed consolidated interim financial statements.

APPROVED BY THE BOARD OF DIRECTORS ON FEBRUARY 26, 2013:

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

LION ONE METALS LIMITED

(A Development Stage Company)

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Unaudited)

(Expressed in Canadian dollars)

	Three months ended December 31, 2012	Three months ended December 31, 2011	Six months ended December 31, 2012	Six months ended December 31, 2011
GENERAL AND ADMINISTRATIVE EXPENSES				
Consulting fees	$ 76,391	$ 58,650	$ 114,941	$ 107,300
Foreign exchange (gain) loss	64,539	(34,200)	76,422	(610)
Licenses, dues and other fees	11,601	15,833	18,640	22,463
Investor relations	60,532	72,946	91,966	199,688
Management fees (Note 6(a))	217,766	203,184	419,946	546,971
Office and miscellaneous	10,724	23,157	13,569	46,294
Professional fees	13,292	46,004	29,345	60,787
Rent (Note 6(a))	45,000	44,566	90,000	88,263
Shareholder communications and regulatory filings	34,523	21,345	41,090	29,722
Stock based compensation (Notes 7 and 9)	168,443	358,933	215,905	782,732
Travel	24,824	57,217	38,733	71,998
Operating loss	727,635	867,635	1,150,557	1,955,608
OTHER INCOME				
Interest income	(47,255)	(61,529)	(99,772)	(125,579)
Net loss for the period	680,380	806,106	1,050,785	1,830,029
OTHER COMPREHENSIVE (INCOME) LOSS				
Foreign exchange (gain) loss	(504,771)	350,610	(596,590)	(137,828)
Comprehensive loss for the period	$ 175,609	$ 1,156,716	$ 454,195	$ 1,692,201
Basic and diluted loss per share	$ 0.01	$ 0.02	$ 0.02	$ 0.04
Weighted average common shares outstanding	48,868,827	48,638,380	48,868,827	48,502,173

See accompanying notes to condensed consolidated interim financial statements.

LION ONE METALS LIMITED
(A Development Stage Company)
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in Canadian dollars)

	Six months ended December 31, 2012	Six months ended December 31, 2011
Cash provided by (used in):		
Operations:		
Net loss for the period	$ (1,050,785)	$ (1,830,029)
Items not involving cash:		
Stock based compensation expense	215,905	782,732
Foreign exchange (gain) loss	76,422	(610)
Changes in non-cash operating working capital:		
HST and VAT receivable	(53,900)	(102,939)
Prepaid expenses	4,244	(16,661)
Other receivables	2,557	(86,675)
Deposits	1,087	(11,021)
Accounts payable and accrued liabilities	49,929	32,463
	(754,541)	(1,232,740)
Financing:		
Due to related parties	(32,345)	-
Share issuance costs	-	(226)
Issuance of shares on exercise of agent's warrants	-	204,000
Issuance of shares on exercise of options	-	46,434
Due from related party	-	105,376
	(32,345)	355,584
Investments:		
Purchase of equipment	(90,158)	(208,690)
Exploration expenditures	(1,362,764)	(1,605,107)
	(1,452,922)	(1,813,797)
Effect of exchange rate changes on cash and cash equivalents	738	(8,493)
Decrease in cash and cash equivalents	(2,239,070)	(2,699,446)
Cash and cash equivalents, beginning of period	15,971,997	20,829,922
Cash and cash equivalents, end of period	$ 13,732,927	$ 18,130,476
Supplementary cash flow information:		
Non-cash investing, financing and operating activities:		
Amortization expense capitalized to exploration and evaluation assets	$ 41,954	$ 21,604
Stock based compensation capitalized to exploration and evaluation assets	26,732	91,529
Transfer from contributed surplus to share capital on exercise of agent's warrants		53,040
Transfer from contributed surplus to share capital on exercise of stock options	-	56,764
Other:		
Interest received during the period	102,329	18,531

See accompanying notes to the condensed consolidated interim financial statements.

LION ONE METALS LIMITED

(A Development Stage Company)

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited)

(Expressed in Canadian dollars)

	Number of Shares Outstanding	Share Capital	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
Balances, June 30, 2011	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 9)	-	-	-	498,990	-	-	498,990
Stock based compensation - escrowed shares (Note 9)	-	14,896	-	-	-	-	14,896
Stock based compensation - trust shares (Note 7(b))	-	360,375	-	-	-	-	360,375
Share issuance costs	-	(226)	-	-	-	-	(226)
Issuance of shares on option exercise (Note 9)	132,667	103,198	-	(56,764)	-	-	46,434
Issuance of shares on warrant exercise (Note 8)	204,000	257,040	(53,040)	-	-	-	204,000
Net loss for the period	-	-	-	-	(1,830,029)	137,828	(1,692,201)
Balances, December 31, 2011	48,678,207	53,815,197	1,560,359	16,369,235	(29,913,314)	754,042	42,585,519
Balances, June 30, 2011	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 9)	-	-	-	809,324	-	-	809,324
Stock based compensation - escrowed shares (Note 9)	-	14,896	-	-	-	-	14,896
Stock based compensation - trust shares (Note 7(b))	-	516,150	-	-	-	-	516,150
Share issuance costs	-	(226)	-	-	-	-	(226)
Issuance of shares on option exercise (Note 9)	251,667	160,182	-	(72,098)	-	-	88,084
Issuance of shares on warrant exercise (Note 8)	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
Stock based compensation - stock options (Note 9)	-	-	-	112,437	-	-	112,437
Stock based compensation - trust shares (Note 7(b))	-	130,200	-	-	-	-	130,200
Comprehensive loss for the period	-	-	-	-	(1,050,785)	596,590	(454,195)
Balances, December 31, 2012	48,868,827	$ 54,248,397	$ -	$ 18,318,410	$ (32,354,762)	$ 1,528,848	$ 41,740,893

See accompanying notes to the condensed consolidated interim 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.

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 (Note 4). 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 (Note 4(a)). The Company is currently exploring and developing the properties. To December 31, 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. Basis of Presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended June 30, 2012.

The condensed consolidated interim financial statements do not include all of the information and note disclosure required for full annual financial statements and should be read in conjunction with the Company's financial statements for the year ended June 30, 2012.

These condensed consolidated interim 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.

2. Basis of Presentation (continued)

Significant Judgments 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.

The most significant estimates and judgements relate to the determination that there are no indicators of impairment. Share-based payments, as measured with respect to stock options granted, are estimated by reference to the Black-Scholes pricing model; a detailed disclosure of management's assumptions with respect to the pricing model is found in Note 9. The Company has reviewed its exploration and evaluation assets for indications of impairment and determined that there is no such indication. The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

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 period end was translated at the period end exchange rate and the operations for the period were translated at the average exchange rate for the period.

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.

(Expressed in Canadian dollars)

3. Cash and cash equivalents

Unrestricted:

	December 31, 2012	June 30, 2012
Deposits in bank	$ 857,927	$ 846,997
GICs	12,875,000	15,125,000
	$13,732,927	$15,971,997

Guaranteed investment certificates (GICs) are fully redeemable after 90 days and earn non-compounding interest at a rate of 1.4%. The GICs are held for the purpose of meeting near term cash commitments.

Restricted:

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.

4. Exploration and evaluation assets

(a) Fijian exploration properties

Special Prospecting Licenses ("SPL") granted to the Company by the Fijian government cover exploration activities on certain Fijian exploration properties, including the Tuvatu property. Under the terms of these exploration licenses the Company is required to spend a minimum amount on exploration activities. Management believes that these exploration expenditure requirements have been satisfied. The expiry of the licenses and three-year exploration requirements are as follows:

	Issued	Expiry date	Bond (Fijian $)	Bond (Canadian $)	Expenditure requirement (Fijian $)	Expenditure requirement (Canadian $)
SPL1283/1296	1-Jul-10	30-June-13	$20,000	$11,364	$4,200,000	$2,386,440
SPL1465	1-Jul-10	30-June-13	10,000	5,682	1,800,000	1,022,760
SPL1467	1-Jul-11	15-April-12	11,000	6,250	110,000	62,502
SPL1468	1-Jul-11	15-April-12	4,000	2,273	40,000	22,728
			$45,000	$25,569	$6,150,000	$3,494,430

The Company has received confirmation of acceptance of the proposed work programs from the Fijian Mineral Resource Department. Annual expenditure commitment for SPL 1283/1296 and SPL 1465 are Fijian $700,000 (Cdn $398,000), $700,000 (Cdn $398,000) and $600,000 (Cdn $341,000) respectively. SPL 1467 and SPL 1468 are currently in the process of renewal. 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 December 31, 2012 included in deposits are restricted cash balances of C$25,569 (June 30, 2012 - $24,993) related to the bonds.

(Expressed in Canadian dollars)

4. Exploration and evaluation assets (continued)

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

	Cost	Foreign Currency Adjustment	Total
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
Additions in period	1,431,450	504,042	1,935,492
Balance December 31, 2012	$29,339,330	$(2,542,116)	$26,797,214

Foreign currency adjustment of $3,960,138 (June 30, 2012 - $3,960,138) is recorded in deficit and $1,418,022 (June 30, 2012 - $913,980) is recorded in accumulated other comprehensive income.

5. Property, plant, and equipment

	Furniture & Office Equipment	Motor Vehicles	Building & Machinery	Total
Cost – June 30, 2012	$105,899	$115,545	$550,850	$772,294
Additions	22,165	49,404	33,977	105,546
As at December 31, 2012	128,064	164,949	584,827	877,840
Accumulated depreciation – June 30, 2012	35,140	21,280	34,637	91,057
Depreciation	7,309	12,606	22,039	41,954
As at December 31, 2012	42,449	33,886	56,676	133,011
Net book Value – December 31, 2012	$85,615	$131,063	$528,151	$744,829

	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
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
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

During the period ended December 31, 2012, depreciation of $41,954 (2011 - $21,604) was capitalized in exploration and evaluation assets.

6. 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 per month for its fully-equipped premises. Management fees of $472,663 (2011 - $682,819) and rent of $90,000 (2011 - $88,263) were incurred during the period. Included in these management fees are wages and employee benefits paid to employees and senior management of $368,936 (2011 - $558,926). 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.

(b) At December 31, 2012, the Company had a net receivable from companies having directors in common with the Company of $17,987 (June 30, 2012 – net liability of $14,358).

(c) The Company incurred direct compensation to the officers of $309,750 (2011 - $403,875). Of the direct compensation, $36,000 (2011 - $83,062) was capitalized as exploration and evaluation assets.

7. 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. During the period ended December 31, 2012, stock based compensation expense of $130,200 (2011 - $360,375) has been recorded in the statement of loss and comprehensive loss.

(c) Loss per share

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

(c) Escrow shares

As part of the share purchase transaction dated September 18, 2008 (Note 1) 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 $nil (2011 – 14,896) was recognized during the period with respect to the remaining shares.

(Expressed in Canadian dollars)

8. Warrants

Summary of warrants activity for the period ended December 31, 2012:

	Number of Warrants	Weighted average exercise price
Balance, June 30, 2011	10,353,015	$ 2.11
Expired	(10,353,015)	2.11
Balance, June 30, 2012 and December 31, 2012	-	$ -

Summary of agents' warrants activity for the period ended December 31, 2012:

	Number of agents' Warrants	Weighted average exercise price
Balance, June 30, 2011	680,211	$ 1.72
Exercised	(275,620)	1.00
Expired	(404,591)	2.20
Balance, June 30, 2012 and December 31, 2012	-	$ -

9. Stock option plan

The Company has a stock option plan which 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.

Summary of stock option activity as of December 31, 2012:

	Number of Options	Weighted average exercise price
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
Granted	875,000	0.70
Forfeited	(975,000)	1.40
Balance, December 31, 2012	3,538,667	$ 0.75

(Expressed in Canadian dollars)

9. Stock option plan – (continued)

Summary of stock options outstanding at December 31, 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	566,665	March 1, 2015
October 25, 2010	608,667	1.00	430,334	October 25, 2015
May 25, 2011	435,000	1.40	335,000	May 25, 2016
July 20, 2011	200,000	1.40	100,000	July 20, 2016
November 2, 2011	25,000	1.40	8,333	November 2, 2016
October 11, 2012	875,000	0.70	-	October 11, 2017
	3,538,667		2,155,332	

During the period ended December 31, 2012, the Company granted 875,000 (2011 – 800,000) options with a weighted average fair value of $0.46 per option (2011 - $0.71) for options granted and vested to directors, employees and consultants. Total stock based compensation for options granted and vested and reversed upon the cancellation of unvested options during the period ended December 31, 2012 was $112,437 (2011 - $513,886). Stock based compensation expense recognized in the statement of loss and comprehensive loss was $85,705 (2011 - $422,357). Stock based compensation capitalized to the mineral property was $26,731 (2011 - $91,529) relating to the compensation cost for employees working on the Tuvatu property.

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

	2012	2011
Risk-free interest rate	1.25%	2.10%
Expected life of options	5 years	5 years
Annualized volatility	80%	76%
Dividend rate	0%	0%
Forfeiture rate	9%	9%

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.

10. 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 $41,740,893 (June 30, 2012- $41,952,451). In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek additional debt financing and adjust its capital spending to manage current and working capital requirements. The Company is not subject to externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the period ended December 31, 2012.

11. Financial instruments

Financial instruments of the Company comprise cash and cash equivalents, HST and VAT receivable, 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 December 31, 2012 there are adequate financial assets on hand to meet current trade liabilities.

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.

11. 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 December 31, 2012, the Company's net foreign denominated financial assets were C$385,540 (F$678,529). A 100 basis points change in the value of the Canadian dollar would result in a foreign exchange gain or loss of approximately $6,785.

12. 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 period ended December 31, 2012, the Company had not entered into production on its Tuvatu property, and thus no royalties were recognized.

13. Segmented Information

The Company currently operates in only one operating segment, that being the mineral exploration industry. The Company is currently exploring and developing its property in Fiji. As at December 31, 2012, capitalized exploration and evaluation assets and property, plant and equipment are located in Fiji.

14. Proposed Merger Implementation Agreement

On December 21, 2012 the Company announced the execution of a Merger Implementation Agreement ("MIA") with Australian-based Avocet Resources Limited (ASX:AYE) ("Avocet"). The executed MIA will result in Lion One acquiring all of the issued shares in Avocet; shareholders of Avocet will receive 1 common share of Lion One for every 9.5 common shares held in Avocet.

The MIA is subject to approval from the Australian Court, Avocet shareholders and the TSX Venture Exchange. Avocet shareholder approval of the MIA will be held in April 2013, with the expected implementation of the MIA in April 2013.

The MIA transaction will result in the issuance of an additional 11,106,772 common shares of Lion One, representing approximately 18.5% of the post-transaction outstanding common shares.

15. Subsequent Events

Subsequent to the period ended December 31, 2012, the Company:

a) Issued 200,000 common shares pursuant to the exercise of stock options for gross proceeds of $100,000.

b) Granted 125,000 stock options to an officer of the Company exercisable at a price of $0.70 for a period of 5 years.