LION ONE METALS LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2013

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

LION ONE METALS LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)
AS AT

	March 31, 2013	June 30, 2012
ASSETS		
Current		
Cash	$ 13,031,752	$ 15,971,997
Receivables	153,043	458,828
Prepaid expenses	7,871	16,256
Deposits	30,193	31,093
	13,222,859	16,478,174
Restricted cash (Note 3)	75,000	75,000
Exploration and evaluation assets (Note 4)	27,534,701	24,861,722
Property, plant and equipment (Note 5)	726,047	681,237
	$ 41,558,607	$ 42,096,133
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 244,417	$ 143,682
Shareholders' equity		
Share capital (Note 6)	54,429,744	54,118,197
Reserves (Note 6)	18,358,846	18,205,973
Accumulated other comprehensive income	1,421,211	932,258
Deficit	(32,895,611)	(31,303,977)
	41,314,190	41,952,451
	$ 41,558,607	$ 42,096,133

Nature of operations and going concern (Note 1)
Commitments (Notes 4 and 7)

Approved and authorized by the Board on May 23, 2013:

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

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

LION ONE METALS LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended March 31, 2013	Three months ended March 31, 2012	Nine months ended March 31, 2013	Nine months ended March 31, 2012
EXPENSES				
Consulting fees	$ 25,740	$ 72,750	$ 140,681	$ 180,050
Foreign exchange gain	(78,190)	(26,438)	(1,768)	(27,048)
Licenses, dues and fees	7,665	8,861	27,574	36,144
Investor relations	116,783	135,232	281,601	418,344
Management fees	63,295	63,253	181,185	178,228
Office and administrative	93,271	83,781	261,957	316,180
Professional fees	171,012	17,560	227,731	182,940
Rent	45,000	46,800	135,000	135,063
Shareholder communication	33,398	47,571	119,932	131,287
Share-based payments (Note 6)	101,114	205,200	317,019	987,932
Travel	4,090	41,409	42,823	113,407
Operating loss	(583,178)	(695,979)	(1,733,735)	(2,652,527)
OTHER INCOME				
Interest income	42,329	55,721	142,101	181,300
Net loss for the period	(540,849)	(640,258)	(1,591,634)	(2,471,227)
OTHER COMPREHENSIVE LOSS				
Foreign exchange gain (loss)	(107,637)	216,530	488,953	354,358
Comprehensive loss for the period	$ (648,486)	$ (423,728)	$ (1,102,681)	$ (2,116,869)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.04)
Weighted average number of common shares outstanding	48,911,893	48,770,030	48,911,893	48,590,809

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

LION ONE METALS LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)
FOR THE NINE MONTHS ENDED MARCH 31

		2013		2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$	(1,591,634)	$	(2,471,227)
Non-cash items:				
Share-based payments		317,019		987,932
Foreign exchange gain		(1,768)		(27,048)
Changes in non-cash working capital items:				
Receivables		308,886		63,808
Prepaid expenses		8,385		(6,494)
Deposits		1,778		10,795
Accounts payable and accrued liabilities		97,227		(155,107)
		(860,107)		(1,597,341)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(92,728)		(631,284)
Exploration expenditures		(2,088,823)		(2,104,301)
		(2,181,551)		(2,735,585)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds on issuance of shares		100,000		363,704
Share issuance costs		-		(226)
		100,000		363,478
Effect of exchange rate changes on cash		1,413		(11,552)
Change in cash during the period		(2,940,245)		(3,981,000)
Cash, beginning of period		15,971,997		20,829,922
Cash, end of period	$	13,031,752	$	16,848,922

Supplementary cash flow information:

		2013		2012
Non-cash transactions:				
Depreciation expense capitalized to exploration and evaluation assets	$	67,545	$	50,319
Share-based payments expense capitalized to exploration and evaluation assets		47,401		120,257
Transfer of reserves on exercise of warrants		-		71,661
Transfer of reserves on exercise of stock options		41,822		72,098

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

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

	Share Capital					Accumulated Other Comprehensive Income	
	Number	Amount	Warrants	Reserves	Deficit		Total
Balance, June 30, 2011	48,341,540	$ 53,079,914	$ 1,613,399	$ 15,927,009	$(28,083,285)	$ 616,214	$ 43,153,251
Shares issued on exercise of options	251,667	160,182	-	(72,098)	-	-	88,084
Shares issued on exercise of warrants	275,620	347,281	(71,661)	-	-	-	275,620
Share issuance costs	-	(226)	-	-	-	-	(226)
Share-based payments – stock options	-	-	-	642,243	-	-	642,243
Share-based payments – escrow shares	-	14,896	-	-	-	-	14,896
Share-based payments – trust shares	-	451,050	-	-	-	-	451,050
Comprehensive loss for the period	-	-	-	-	(2,471,227)	354,358	(2,116,869)
Balance, March 31, 2012	48,868,827	54,053,097	1,541,738	16,497,154	(30,554,512)	970,572	42,508,049
Share-based payments – stock options	-	-	-	167,081	-	-	167,081
Share-based payments – trust shares	-	65,100	-	-	-	-	65,100
Expiry of warrants	-	-	(1,541,738)	1,541,738	-	-	-
Comprehensive loss for the period	-	-	-	-	(749,465)	(38,314)	(787,779)
Balance, June 30, 2012	48,868,827	54,118,197	-	18,205,973	(31,303,977)	932,258	41,952,451
Shares issued on exercise of options	200,000	141,822	-	(41,822)	-	-	100,000
Share-based payments – stock options	-	-	-	194,695	-	-	194,695
Share-based payments – trust shares	-	169,725	-	-	-	-	169,725
Comprehensive loss for the period	-	-	-	-	(1,591,634)	488,953	(1,102,681)
Balance, March 31, 2013	49,068,827	$ 54,429,744	$ -	$ 18,358,846	$(32,895,611)	$ 1,421,211	$ 41,314,190

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

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

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

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

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

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

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS 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 for the year ended June 30, 2012.

Basis of Consolidation and Presentation

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

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

2. BASIS OF PREPARATION *(cont'd…)*

Prior period reclassifications

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

Use of Estimates

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

Judgments

The functional currency of each of the subsidiaries and the Company were assessed to determine the economic substance of the currency 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.

Estimates

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

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

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

Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Because the Company's warrants 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.

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION *(cont'd…)*

New standards not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the period ended March 31, 2013:

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

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

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

3. RESTRICTED CASH

The restricted cash balance is comprised of a guaranteed investment certificate ("GIC") held as security for the Company's corporate credit cards.

4. EXPLORATION AND EVALUATION ASSETS

Fiji Exploration Properties

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

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

Special Prospecting License	Issued	Expiry Date	Bond (Fijian $)	Bond (Canadian $)	Expenditure Requirement (Fijian $)	Expenditure Requirement (Canadian $)
1283 / 1296	July 1, 2010	June 30, 2013	$20,000	$11,434	$4,200,000	$2,401,140
1465	July 1, 2010	June 30, 2013	10,000	5,717	1,800,000	1,029,060
1467	July 1, 2011	April 15, 2012 (1)	11,000	6,289	110,000	62,887
1468	July 1, 2011	April 15, 2012 (1)	4,000	2,287	40,000	22,868
			$45,000	$25,727	$6,150,000	$3,515,955

(1)SPL 1467 and SPL 1468 are currently in the process of renewal.

(Expressed in Canadian Dollars)

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

The Company has submitted applications for a mining license on the Tuvatu project.

The Fiji properties are subject to a perpetual production royalty of 0.5% to 1.5% of net smelter returns ("NSR"). The NSR is payable to a company controlled by a common director.

Expenditures incurred on the Fijian properties during the period:

	Cost	Foreign Currency Adjustment	Total
Balance, June 30, 2011	$ 25,013,542	$ (3,345,842)	$ 21,667,700
Additions for the year	2,894,338	299,684	3,194,022
Balance, June 30, 2012	27,907,880	(3,046,158)	24,861,722
Additions for the period	2,203,769	469,210	2,672,979
Balance, March 31, 2013	$ 30,111,649	$ (2,576,948)	$ 27,534,701

Bonds

The SPL's require the posting of bonds as security against future reclamation obligations. As at March 31, 2013, the Company has deposits of $25,727 (June 30, 2012 - $24,993) held with the MRD.

5. PROPERTY, PLANT AND EQUIPMENT

	Furniture and Office Equipment	Motor Vehicles	Building and Machinery	Total
Cost				
Balance, June 30, 2011	$ 66,444	$ 16,211	$ 89,513	$ 172,168
Additions for the year	28,684	100,029	478,796	607,509
Cumulative translation adjustment	(2,849)	(695)	(3,839)	(7,383)
Balance, June 30, 2012	92,279	115,545	564,470	772,294
Additions for the period	20,382	48,900	23,446	92,728
Cumulative translation adjustment	3,085	4,303	15,620	23,008
Balance, March 31, 2013	$ 115,746	$ 168,748	$ 603,536	$ 888,030
Accumulated depreciation				
Balance, June 30, 2011	$ 22,505	$ 477	$ 13,658	$ 36,640
Additions for the year	15,232	20,858	22,555	58,645
Cumulative translation adjustment	(2,597)	(55)	(1,576)	(4,228)
Balance, June 30, 2012	35,140	21,280	34,637	91,057
Additions for the period	17,698	15,880	33,967	67,545
Cumulative translation adjustment	1,231	889	1,261	3,381
Balance, March 31, 2013	$ 54,069	$ 38,049	$ 69,865	$ 161,983
Net book value				
As at June 30, 2011	$ 43,939	$ 15,734	$ 75,855	$ 135,528
As at June 30, 2012	$ 57,139	$ 94,265	$ 529,833	$ 681,237
As at March 31, 2013	$ 61,677	$ 130,699	$ 533,671	$ 726,047

(Expressed in Canadian Dollars)

6. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

The Company did not complete any private placements in the nine month period ended March 31, 2013 or the year ended June 30, 2012.

c) Trust agreement

Pursuant to a Trust Agreement dated April 1, 2010, the Company has issued and allotted 1,000,000 common shares from treasury to a designated trustee at a deemed value of $0.40 per share. The Trust Agreement stipulates the release of the shares to the beneficiaries upon vesting dates. During the period ended March 31, 2013, 198,000 shares (2012 – 495,000) were released from trust to the beneficiaries. Share-based payments expense of $169,725 (2012 - $451,050) was recognized during the period for the vesting of shares.

d) Escrow agreements

As at March 31, 2013, the Company did not hold any shares in escrow. During the nine month period ended March 31, 2012, the Company released all remaining shares held in escrow and recognized a corresponding share-based payments expense of $14,896.

e) Stock options and warrants

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

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

	Options		Warrants	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, June 30, 2011	4,151,667	$ 0.92	11,033,226	$ 2.09
Granted	800,000	1.40	-	-
Exercised	(251,667)	0.35	(275,620)	1.00
Forfeited and expired	(1,061,333)	1.30	(10,757,606)	2.11
Balance, June 30, 2012	3,638,667	0.96	-	-
Granted	1,000,000	0.70	-	-
Exercised	(200,000)	0.50	-	-
Forfeited and expired	(1,075,000)	1.33	-	-
Balance, March 31, 2013	3,363,667	$ 0.77	-	$ -
Balance, March 31, 2013 exercisable	2,118,658	$ 0.73	-	$ -

(Expressed in Canadian Dollars)

6. SHARE CAPITAL AND RESERVES *(cont'd…)*

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

Stock options outstanding as at March 31, 2013:

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

During the nine month period ended March 31, 2013 the Company granted 1,000,000 (2012 – 800,000) stock options to officers, employees and directors. The weighted-average fair value of options granted and vested during the period was $0.45 per option (2012 - $0.71). Total share-based payments recognized in the statement of shareholders' equity for the nine month period ended March 31, 2013 was $194,695 (2012 – $642,243) for incentive options granted and vested. Share-based payments expense of $147,294 (2012 - $521,986) was recognized in the statement of loss and comprehensive loss with the balance of $47,401 (2012 - $120,257) capitalized to exploration and evaluation assets, which relates to employees working on the Tuvatu property.

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

	2013	2012
Risk-free interest rate	1.27%	2.10%
Expected life of options	5 years	5 years
Annualized volatility	80%	76%
Dividend rate	-	-
Forfeiture rate	9%	9%

7. RELATED PARTY TRANSACTIONS

The subsidiaries of Lion One Metals Limited are as follows:

	Country of Incorporation	Effective Interest
American Eagle Resources Inc.	Canada	100%
Laimes International Inc.	BVI	100%
Auksas Inc.	BVI	100%
Lion One Limited	Fiji	100%

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS (cont'd…)

Management Compensation

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

		2013		2012
Payments to key management personnel:				
Cash compensation	$	463,500	$	471,667
Share-based payments		255,957		631,973

During the period ended March 31, 2013, the Company paid $135,000 (2012 - $135,000) in rent to Cabrera Capital Corp. ("Cabrera"), a company controlled by a director of the Company.

As at March 31, 2013, the amount of $20,477 (June 30, 2012 - $14,358) is due to related parties. As at March 31, 2013, $28,790 (June 30, 2012 - $17,987) is receivable from a related company. All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

Commitment

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

8. SEGMENTED INFORMATION

The Company operates in one industry segment, the mineral exploration industry. All current exploration activities are conducted in Fiji. Capitalized exploration and evaluation assets and property, plant and equipment are located in Fiji.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables, deposits and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

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

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

Financial risk factors

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables mainly consist of harmonized sales tax receivable from the Federal Government of Canada, value added tax receivable from the Government of Fiji and accrued interest on cash balances. The Company has not had issues with respect to collectability of these amounts and believes that the credit risk concentration with respect to receivables is minimal.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2013, the Company had a working capital of $12,978,442.

Market risk

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

a) Interest rate risk

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

b) Foreign currency risk

The Company's business focus is concentrated in Fiji and conducted in Canadian dollars, Australian dollars and Fijian dollars. As such, the Company is exposed to foreign currency risk in fluctuations among these currencies. Fluctuations in the exchange rate among the Canadian dollar, Australian dollar and Fijian dollar may have a material adverse effect on the Company's business and financial condition. As at March 31, 2013, the Company's net foreign denominated financial assets were $252,126 (F$441,010).

c) Price risk

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

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 $41,314,190 (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 March 31, 2013.

11. PROPOSED MERGER IMPLEMENTATION AGREEMENT

On December 21, 2012, the Company announced the execution of a Merger Implementation Agreement ("MIA") with Australia-based Avocet Resources Limited (ASX:AYE) ("Avocet"). The executed MIA will result in the Company acquiring all of the issued shares in Avocet. Shareholders of Avocet will receive one common share of the Company for every 9.5 common shares held in Avocet. On March 26, 2013 the MIA was amended to incorporate shareholders to receive shares of the Company compatible with listing requirements of the Australian Stock Exchange ("ASX").

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

The MIA transaction will result in the issuance of an additional 11,106,772 common shares of the Company, representing approximately 18.5% of the post-transaction outstanding common shares. The Company has elected to obtain a secondary listing on the ASX concurrent with implementation of the MIA.