LION ONE METALS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

NINE MONTH PERIOD ENDED MARCH 31, 2013

Set out below is a review of the activities, results of operations and financial condition of Lion One Metals Limited ("LIO", "Lion One", or the "Company") and its subsidiaries for the three and nine months ended March 31, 2013. The discussion below should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended March 31, 2013 and with the Company's audited consolidated annual financial statements for the year ended June 30, 2012. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at May 23, 2013.

The Company is listed on the Toronto Venture Stock Exchange ("TSX-V") under the symbol LIO (OTCQX: LOMLF; FSX:FY1)

Additional information related to the Company is available on SEDAR at www.sedar.com and the Company's website is www.Lion Oneresources.com.

BACKGROUND AND CORE BUSINESS

Lion One Metals Limited 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 Metals Limited 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 address is 311 West 1st Street, North Vancouver, BC, V7M 1B5 and the registered and records office is 250 Howe Street, 20th Floor, Vancouver, BC, V6C 3R8.

COMPANY HIGHLIGHTS

During the three month period ended March 31, 2013 and subsequent the Company:

- Continued the drilling program and announced results from the Tuvatu Gold Project in Fiji;
- Confirmed western extensions of known gold mineralization at Tuvatu;
- Continued work on its Environmental Impact Assessment for the Tuvatu Gold Project;
- Held community consultations and commenced preparations for mining license applications; and
- Amended the Merger Agreement (originally announced on Dec. 21, 2012) with Avocet Resources Limited to allow for a secondary listing on the Australian Securities Exchange ("ASX")

Details with respect to significant developments are published at www.sedar.com and on the Company's website www.liononemetals.com.

CORPORATE DEVELOPMENTS AND SIGNIFICANT TRANSACTIONS

Proposed Merger Implementation Agreement ("MIA") with Avocet

As announced in December 2012, the Company will acquire, pending approval from the Australian Court, Avocet shareholders and the TSX-V, all of the issued and outstanding shares of Avocet. Shareholders of Avocet will receive one common share for every 9.5 common shares held in Avocet. The Avocet shareholder meeting is scheduled for May 27, 2013.

The MIA transaction will result in the issuance of an additional 11,106,772 common shares of the Company representing 18.5% of the subsequent outstanding common shares of the merged entity.

During the three months ended March 31, 2013, the Company and Avocet amended the MIA to enable eligible Avocet shareholders to receive shares of the Company in the form of CHESS Depository Interests ("CDI"). The Company's CDI's will be, subject to ASX approval, listed and freely tradable on the ASX with each CDI representing a beneficial ownership interest in one common share of the Company and have materially the same rights as common shares of the Company.

CDI's are commonly used by non-Australian corporations listing on the ASX, as regulatory constraints do not allow for the listing and trading of common shares of foreign corporations. As part of the acquisition of Avocet, the Company is seeking a listing on the ASX in addition to its listing on the TSX-V.

The Company has elected to pursue the listing to enhance the economic benefits of the acquisition to its shareholders.

The significant additions to the asset portfolio of the Company following the acquisition of Avocet are as follows:

Olary Creek, South Australia

The Olary Creek Project, is located 70 kilometers from Broken Hill, NSW with ready access to roads, rail and port facilities. The project is situated a short distance south of the Barrier Highway and the Indian Pacific railway line in South Australia.

Avocet Resources considers the project prospective for a range of elements and has completed drilling programs in search of uranium and base metals over the past few years. More recently, the Company has focused its attention on iron ore within the project. The primary target is now the magnetite rich Braemer Iron Formation.

Avocet is not managing this joint venture, but has a 25% free carried interest to completion of a bankable feasibility study and decision to mine.

Avocet's joint venture partners have completed the first pass of an extensive diamond/reverse circulation drilling program with 55 holes completed for an advance of 16,241.3 meters.

Ashburton, Western Australia

The Ashburton Project comprises 19 granted exploration tenements prospective for gold, silver, rare earths and base metals, in addition to unconformity style uranium mineralization, situated south of Paraburdoo in Western Australia.

The project area consists of three groups of tenements. Three granted tenements are held 100% by Avocet. A further 13 tenements comprise the Ashburton Joint Venture, a 50:50 joint venture with Cameco Australia, with three remaining tenements forming part of the Saltwater Pool Joint Venture with Thundelarra Exploration and Cullen Resources.

Cameco and Avocet equally contributed to the 50:50 joint venture until Cameco notified Avocet that due to the focus on potential development projects in Australia, they would dilute their interest. Consequently, Avocet is contributing 100% of costs to the joint venture and maintains a majority interest.

The project is located in the Ashburton Basin of Western Australia. It covers the contact zone between the Lower Proterozoic Ashburton Trough and the Mid Proterozoic Bresnahan Basin. The Lower Proterozoic basement is represented by the Wyloo Group. The Wyloo Group unconformably overlies the Hamersley Basin Mt. Bruce Supergroup. The area is recognised as having strong geological similarities to the Alligator River area of the Northern Territory which hosts the world class Ranger and Jabiluka uranium deposits.

Initially, the principal target of the exploration activities was the unconformity between the basal conglomerates of the Middle Proterozoic Bresnahan Group (Cherrybooka Formation) and the underlying black shales and dolomites of the Lower Proterozoic Wyloo Group (Mt. McGrath Formation and Duck Creek Dolomite). This contact is known for its uranium mineralisation at the nearby Angelo River A and B deposits north of Avocet's tenements.

Subsequently, through the Company's exploration activities, the prospectivity for rare earths, gold and silver has been highlighted.

Additional Projects

Avocet has a strong portfolio of other precious metal and uranium projects in Australia and strong joint venture relationships in Argentina.

A detailed description of Avocet's material projects is available on its website at www.avocetresources.com.au.

Properties

Tuvatu Gold Project, Fiji

The Tuvatu Gold Project is located near the city of Nadi on the main island of Viti Levu in Fiji. The project is held within three contiguous Special Prospecting Licenses ("SPL's") granted by the Mineral Resources Department of Fiji ("MRD") that collectively cover 105 square kilometres on the margins of the Navilawa Caldera.

The Navilawa Caldera is a mineralized volcanic intrusive complex situated along the Viti Levu Lineament; a mineral belt hosting Fiji's known gold deposits. The Navilawa Caldera's geological setting bears many similarities with the nearby Tavua Caldera, which hosts Fiji's largest defined gold deposit and oldest operating gold mine at Vatukoula. Vatukoula has produced over 7 million oz. gold to date, with 4.2 million oz. current resources and 790,000 oz. reserves (2013). The Fijian Islands themselves are situated along the Pacific Islands Arc, the host of a number of major deposits that include the Lihir, Porgera, Ok Tedi, and Wafi-Golpu gold deposits in PNG.

Gold mineralization at Tuvatu is evident in two deposit styles relating to hydrothermal activity; low-sulphidation epithermal gold-silver, and porphyry-style copper-gold. The Tuvatu Gold Project currently contains an indicated mineral resource of 172,000 oz. Au (760,000 tonnes at 7.05 g/t Au) and an inferred mineral resource of 480,000 oz. Au (2,618,000 tonnes at 5.71 g/t Au). (See Technical Report and Resource Estimate on the Tuvatu Gold Property, Viti Levu, Fiji filed November 26, 2010).

Historical information with respect to the Tuvatu Gold Project is available at the Company's website www.liononemetals.com

During the three month period ended March 31, 2013, the Company completed a total of 1,613 meters of diamond drilling, with results announced on February 13, 2013. As at the date of the report, the drilling program continues testing and confirming of the grade, thickness and continuity of mineralized lodes that cross-cut the Tuvatu resource area.

Subsequent to the period ended March 31, 2013, the Company published further results from the ongoing diamond drilling program. The program focused on targets drilled at 40 meter centers to confirm grade, widths, and continuity of mineralized extensions west of the Tuvatu Resource Area.

Gold mineralization in this new zone (Tuvatu West) is hosted in east-west oriented vein structures that cross-cut the main Tuvatu Resource and extend along strike over 1 kilometer to the west. Mineralization in the Tuvatu Resource Area has been drill tested to depths of 300 meters, and remains open at depth and along strike. Supporting figures are available in the news release dated May 15, 2013.

The Company is continuing the drilling in the area with the intention to undertake a new resource estimation upon receipt of all geochemical results from the program. Geological mapping and surface sampling is ongoing within the Tuvatu West area to ensure a clear understanding of the controls and nature of mineralization throughout the target zone.

During the period the Company received a preliminary draft of the Environmental Impact Assessment commissioned in November 2012 and continued its ongoing community consultation process and submitted an application for the surface lease, which will precede the formal mining license application that the Company anticipates will be filed in by the end of fiscal 2013.

The Company's Tuvatu mineral property hosts Indicated Mineral Resource and Inferred Mineral Resources. Canadian Institute of Mining Metallurgy and Petroleum defines a mineral resource as a concentration or occurrence of natural, solid or organic fossilized material in or on the Earth's crust in such form and quantity and of such quantity and or such grade that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

While, by definition, Mineral Resources have "reasonable prospects for economic extraction" the actual economic viability of the Company's Tuvatu mineral property has not been established.

In anticipation of the end of the term on the Tuvatu SPL's, the Company has submitted preliminary documentation to the MRD for converting the identified Tuvatu resource area to a mining license and applications to maintain the extended project area covered by the SPL's.

Vanua Levu, Fiji

The Delaikoro (SPL 1467) and Vunimoli (SPL 1468) properties cover a combined 27,489 hectares in the Labasa area on the island of Vanua Levu and are early-stage exploration projects.

Expenditures incurred on the Fiji properties are as follows:

	June 30, 2011	Additions	June 30, 2012	Additions	March 31, 2013
Acquisition costs	$21,915,063	$ -	$ 21,915,063	$ -	$ 21,915,063
Camp costs and field supplies	32,376	389,032	421,408	184,907	606,315
Consulting fees	799,411	597,702	1,397,113	142,603	1,539,716
Depreciation	35,280	61,222	96,502	67,545	164,047
Dewatering and environmental	-	-	-	102,996	102,996
Drilling	113,679	65,645	179,324	659,461	838,785
Fiji office administration	441,179	115,448	556,627	92,289	648,916
Permitting and community consults	41,785	1,880	43,665	28,254	71,919
Road building and site works	196,617	302,417	499,034	36,522	535,556
Salaries and wages	962,352	725,785	1,688,137	636,244	2,324,381
Sample preparation, assaying	129,775	436,268	566,043	180,873	746,916
Travel	252,423	132,165	384,588	16,897	401,485
Vehicle and transportation	93,602	66,774	160,376	55,189	215,565
Cumulative foreign currency translation adjustment	(3,345,842)	299,684	(3,046,158)	469,199	(2,576,959)
	$21,667,700	$ 3,194,022	$ 24,861,722	$ 2,672,979	$ 27,534,701

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.

OUTLOOK

The Company has the following short-term objectives:

- Facilitate and implement the MIA with Avocet;
- Continue, with strategic intent, the infill and outstep drilling program on the Tuvatu Gold Project with a view to confirming, refining and increasing the Tuvatu resource area; and
- Work with local stakeholders to promote strong working relationships and facilitate the execution of its mining license application filed in the quarter.

On a longer term, the Company is working toward securing the financing required to advance the Tuvatu Project toward commercial production. The Company will be looking to create development plans based on additional information obtained in the current drill program and concurrent assay work.

Following the implementation of the MIA, the Company will integrate the assets and related objectives of Avocet into its corporate strategy. The probable project portfolio of the combined company post-implementation of the MIA is detailed in the Scheme Booklet published by Avocet at www.avocetresources.com.au.

SELECTED FINANCIAL INFORMATION

Results of Operations for the nine month period ended March 31, 2013 compared to 2012

The comprehensive loss for the period decreased by $1,014,188 to $1,102,681 (2012 – $2,116,869). This decrease in comprehensive loss is explained as follows:

- Investor relations expenses decreased by $136,743 to $281,601 (2012 - $418,344) as the Company attended fewer industry events in the current period and is working to manage expenditures in this area due to general market conditions.

- Office and miscellaneous expenses decreased by $54,223 to $261,957 (2012 - $316,180) due to non-recurring costs on establishment of office resources in 2012.

- Professional fees increased by $44,791 to $227,731 (2012 - $182,940) as the Company has incurred substantial legal fees in the current period in relation to the MIA with Avocet and concurrent ASX listing application. In the prior period, the Company had additional accounting staff that have since left the Company thereby reducing ongoing accounting fees.

- Share-based payments expense decreased by $670,913 to $317,019 (2012 - $987,932) which is consistent with the graded vesting of equity instruments required by accounting standards which recognizes less share-based payments expense over time as instruments vest. The majority of the equity instruments generating share-based payments expense were granted prior to and in conjunction with the RTO transaction executed in fiscal 2011. Further, cancellation of some stock options reduced the overall expense.

- Travel expenses decreased by $70,584 to $42,823 (2012 - $113,407) as staff members made fewer trips to Fiji in the current year as operations in Fiji have been established with permanent staff.

- During the nine month period ended March 31, 2013, the Company recognized a foreign exchange gain of $488,953 on its net assets denominated in Fijian dollars reflecting a strengthening of the Fijian dollar against the Canadian dollar since June 30, 2012. A gain of $354,358 was recognized in the comparative period indicating an overall strengthening of the Fijian dollar over the periods presented.

Results of Operations for the three month period ended March 31, 2013 compared to 2012

The comprehensive loss for the three month period increased by $224,758 to $648,486 (2012 – $423,728). This increase in comprehensive loss is explained as follows:

- Consulting fees decreased by $47,010 to $25,740 (2012 - $72,750) as the Company reduced its number of recurring consultants compared to the prior period.

- Professional fees increased by $153,452 to $171,012 (2012 - $17,560) as the Company has incurred substantial legal fees in the current period in relation to the MIA with Avocet and concurrent ASX listing application.

- Share-based payments expense decreased by $104,086 to $101,114 (2012 - $205,200) which is consistent with the graded vesting of equity instruments required by accounting standards which recognizes less share-based payments expense over time as instruments vest. Further, cancellation of some stock options reduced the overall expense.

- Travel expenses decreased by $37,319 to $4,090 (2012 - $41,409) as staff members made fewer trips to Fiji in the current year as operations in Fiji have been established with permanent staff.

- During the three month period ended March 31, 2013, the Company recognized a foreign exchange loss of $107,637 on its net assets denominated in Fijian dollars reflecting a weakening of the Fijian dollar against the Canadian dollar since December 31, 2012. A gain of $216,530 was recognized in the comparative period resulting in a significant swing in comprehensive loss when comparing periods.

Cash flows for the nine month period ended March 31, 2013 compared to 2012

Cash has decreased by $2,940,245 to $13,031,752 from a balance of $15,971,997 as at June 30, 2012.

Cash outflows from operating activities decreased by $737,235 to $860,106 (2012 – $1,597,341). This is consistent with the overall reduction in net loss for the nine month period ended March 31, 2013 relative to 2012 and the receipt of a significant refund from the Government of Fiji for Value-Added Tax in the current period.

Cash outflows from investing activities of $2,181,551 (2012 - $2,735,585) were comparable to the prior period and reflect comparable activity levels in the investment in the Fiji properties. In the prior period, the Company made additional investments in property and equipment predominantly consisting of vehicles, and the acquisition of the Nadi office building and work site structures.

Cash inflows from financing activities for both periods related to the issuance of common shares pursuant to the exercise of options and agents' warrants. In the nine months ended March 31, 2013, the Company received $100,000 for options exercised. In the nine months ended March 31, 2012, the Company had received net proceeds of $363,478 for the exercise of options and agent's warrants.

Summary of Quarterly results

	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Total assets	$ 41,558,607	$ 41,920,146	$ 41,795,574	$ 42,096,133
Exploration and evaluation assets	27,534,071	26,797,214	25,621,707	24,861,722
Working capital (deficiency)	12,978,442	14,123,850	15,258,399	16,334,492
Interest income	42,329	47,255	52,517	52,656
Net loss for the period	(540,849)	(680,380)	(370,405)	(750,405)
Comprehensive loss for the period	(648,486)	(175,609)	(278,586)	(788,719)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.02)

	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011
Total assets	$ 42,562,588	$ 42,827,627	$ 43,455,119	$ 43,362,897
Exploration and evaluation assets	24,336,162	23,535,225	22,912,593	21,667,700
Working capital (deficiency)	17,369,117	18,624,689	20,067,009	21,251,830
Interest income	55,721	61,529	64,050	59,020
Net loss for the period	(640,258)	(806,106)	(1,023,923)	(1,499,139)
Comprehensive loss for the period	(423,728)	(1,156,716)	(535,485)	(882,925)
Basic and diluted loss per share	(0.01)	(0.02)	(0.02)	(0.03)

The focus of the Company over the periods presented has consistently been the exploration and development of its Fiji exploration and evaluation assets. The differential between net and comprehensive loss in each period reflects the translation adjustment of the assets and liabilities of the Company's subsidiary, Lion One Limited, which is maintained in Fijian dollars.

Financial Position

Receivables decreased by $305,785 to $153,043 (June 30, 2012 - $458,828) following the receipt of a Value-Added Tax refund from the Government of Fiji and HST refund from the Government of Canada.

Exploration and evaluation assets of $27,534,701 (June 30, 2012 - $24,861,722) relate to the Tuvatu Gold Project and additional SPL's on Vanua Levu in Fiji.

Accounts payable and accrued liabilities increased by $100,735 to $244,417 (June 30, 2012 - $143,682) due to the increased rate of drilling meters gained and associated assay work toward the end of the period ended March 31, 2013

Shareholders' equity decreased by $638,261 to $41,314,190 (June 30, 2012 - $41,952,451) which reflects the comprehensive loss recognized for the period in excess of increases related to the issuance of stock options and strengthening of the Fijian dollar in accumulated other comprehensive income.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2013, the Company had working capital of $12,978,442, including cash of $13,031,752 as compared to working capital of $16,334,492, including cash of $15,971,997 at June 30, 2012.

While the Company believes it has adequate financing to execute its plans for the coming year, the Company's continued development is contingent upon its ability to raise sufficient financing in the long-term. There are no guarantees that additional sources of funding will be available to the Company; however, management is committed to pursuing all possible sources of financing in order to execute its business plan including new equity issues and debt issuances.

OUTSTANDING SHARE DATA

At the date of this report the Company has 49,068,827 issued and outstanding common shares, and 3,363,667 outstanding stock options.

OFF STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

At March 31, 2013, the Company had no material off statement of financial position arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

RELATED PARTY TRANSACTIONS

The financial statements include the financial statements of Lion One Metals Limited and its 100% owned subsidiaries American Eagle Resources Inc. (Canada), Laimes International Inc. (BVI), Auksas Inc. (BVI) and Lion One Limited (Fiji).

Key management personnel comprise of Walter Berukoff, Chief Executive Office, George Young, President, Samantha Shorter, Chief Financial Officer, Stephanie Martel, Chief Operating Officer and Directors 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 for expense reimbursements and fees. As at March 31, 2013, $28,790 (June 30, 2012 - $17,987) is receivable from a related company for an expense advance. All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the 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.

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.

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.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments of the Company comprise cash, receivables, deposits, and accounts payable and accrued liabilities. The carrying values of these financial instruments do not materially differ from their fair values due to their ability for prompt liquidation or their short terms to maturity.

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.

RISK FACTORS

Prior to making an investment decision investors should consider the investment risks set out below and those described elsewhere in this document, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of the Company consider the risks set out below to be the most significant to potential investors in the Company, but are not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Directors are currently unaware, or which they consider not to be material in relation to the Company's business, actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

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, labour 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. The Company continues to work in conjunction with the Government of Fiji and its regulatory departments to ensure compliance and proactive measures are taken wherever possible.

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.

The Company's 5 special prospecting licenses in Fiji have been granted by the Fijian government of which three are currently in good standing and two are in the renewal process. The Company is working actively with local landowners and communities to obtain the appropriate mining licenses.

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 Will Require Significant Amounts of Additional Capital in the Future

The Company has finite financial resources. The Company will continue to make substantial capital expenditures related to exploration; in particular the Company will have further capital requirements as it proceeds to expand its development of the Tuvatu Gold Project, or to take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented.

In addition, the Company may incur major unanticipated liabilities or expenses. There can be no assurance that the Company will be able to obtain necessary financing in a timely manner on commercially acceptable terms, if at all.

Market conditions may make it difficult or impossible for the Company to obtain debt financing or equity financing on commercially acceptable terms or at all. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of properties with the possible loss of the rights to such properties. If exploration or the development is delayed, such delay could have a material and adverse effect on the Company's business, financial condition and results of operations.

Stage of Development

The Company's properties are in the exploration stage and the Company does not have an operating history. Exploration and development of resources involves a high degree of risk and few properties which are explored are ultimately developed into production. The carrying value attributed to the Company's Fiji properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors such as unusual or unexpected geological formations, and other conditions.

As a result of the Company's lack of operating history, it also faces many of the risks inherent in starting a new business.

Currency Risk

The Company maintains bank accounts in Canadian, Fijian, and American currency. The Company's equity financings are sourced in Canadian dollars and expenditures are incurred in Canadian, Australian and Fijian dollars. The Company's operations are subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company does not engage in currency hedging activities.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the general, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Reclamation costs are uncertain and planned expenditures estimated by management may differ from the actual expenditures required.

Lion One is dependent on key personnel.

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.

INFORMATION REGARDING FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the prices of oil and gas, the estimation of oil and gas resources and reserves, the realization of oil and gas reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, Government regulation of oil and gas operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of current exploration activities, conclusions or economic evaluations, changes in project parameters as plans continue to be refined, possible variations in grade and or recovery rates, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes or other risks of the mining industry, delays in obtaining government approvals or financing or incompletion of development or construction activities, risks relating to the integration of acquisitions, to international operations, and to the prices of gold and other metals. While the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.

ADDITIONAL INFORMATION

Additional information regarding the Company can be found at www.sedar.com and the Company's website www.liononemetals.com. Additional information regarding Avocet is available at www.avocetresources.com.au.