Management's Discussion and Analysis

For the Nine Months Ended March 31, 2012

As at May 25, 2012

(Dollar amounts expressed in Canadian dollars)

Introduction

Basis of Discussion and Analysis

Management's Discussion and Analysis ("MD&A") supplements the unaudited interim consolidated financial statements of the Company for the nine month period ended March 31, 2012. It discusses the significant factors affecting the results of operations and financial position of Lion One Metals Limited (formerly X-Tal Minerals Corp.) (the "Company" or "Lion One") for the nine months ended March 31, 2012 and includes material information up to May 25, 2012. This information should be read in conjunction with those financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar references, unless otherwise stated, are in Canadian dollars.

This MD&A should be read in conjunction with the Company's annual MD&A report and its audited financial statements for the year ended June 30, 2011.

Non-GAAP Measures

The Company uses non-GAAP measures which do not have any standardized meaning prescribed by GAAP. These non-GAAP definitions are used in this MD&A because management believes that they provide useful information regarding the Company's business. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meaning prescribed by IFRS and should not be construed as indicators of performance, liquidity or cash flows. The Company's method of calculating these measures may differ from the method used by other entities and accordingly the Company's measures may not be comparable to similar titled measures used by other entities or in other jurisdictions

Forward-Looking Statements

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

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

Objectives and Financial Highlights

Overview of the Business

The Company is a publicly traded company, incorporated under the laws of British Columbia. The Company's common shares are listed on the TSX Venture Exchange (TSX-V or the "Exchange").

On November 1, 2010 the Company executed a definitive agreement to effect a reverse take-over with American Eagle Resources Inc. ("AME"). The definitive agreement formalized the terms of the non-binding letter of intent the Company entered into with American Eagle Resources Inc. ("AME") to acquire all the outstanding shares of AME. Pursuant to the terms of the definitive agreement, all of the common shares of AME became exchangeable for common shares of the Company on a basis of one (1) common share of AME for one (1) common share of X-Tal Minerals Corp. ("X-Tal"). Prior to the transaction, AME and X-Tal had 21,108,543 and 6,300,001 common shares outstanding, respectively. The transaction constituted a reverse takeover for accounting purposes with AME being the acquirer. The Company also completed a name change to Lion One Metals Limited. The principal asset of AME was the Tuvatu Gold Deposit located on the Fijian Island of Viti Levu. AME also holds mineral properties on Vanua Levu, Fiji's second largest island. The Company received formal written confirmation of title to these tenements on Vanua Levu on May 12, 2011. Unanimous shareholder approval was obtained at the Annual and Special Meeting of Shareholders held December 21, 2010.

The Company received formal approval of the reverse take-over transaction ("Transaction") and obtained the listing of its common shares of the combined Company on the TSX-V (Tier 1) (under the symbol "LIO") on January 28, 2011.

The executive officers and directors of the Company are:

Walter Berukoff	Chairman and Chief Executive Officer, and director
George Young	President and director
John Burghout	Chief Financial Officer
Kelly Fielder	VP Operations, Corporate Secretary and director
Stephanie Martel	VP Administration
Hamish Greig	VP Investor Relations
Richard Meli	Director
David Duval	Director

Financing

In conjunction with the Transaction, the Company closed a private placement (the "Financing") of $11,500,000 on December 22, 2010. The Company engaged MGI Securities Inc. and PI Financial Corp. as agents (the "Agents") in connection with the financing; part of the financing was concluded on a non-brokered basis. The financing consisted of 11,500,000 subscription receipts ("Subscription Receipts") priced at $1.00 per Subscription Receipt for gross proceeds of $11,500,000. Upon completion of the Transaction, each subscription receipt was converted into one unit of the Company, each unit consisting of one common share of the company and one half of one share purchase warrant, and each whole warrant entitling the holder to purchase one common share of the Company at a price of $2.00 for 12 months. During the period, 5,765,950 unexercised warrants issued in connection with the private placement, expired. The gross proceeds, less certain costs and expenses, were held in escrow until completion of the transaction. The Company paid cash commissions of 6% of the gross proceeds raised on the brokered portion of the offering, and issued agent's warrants of 6% of the number of shares sold pursuant to the brokered portion of the offering.

On April 14 and April 26, 2011, the Company completed a private placement of 8,180,906 and 1,025,123 Units respectively, at $1.55 per unit for total proceeds of $14,269,345. Each Unit consisted of one common share of the Company and one-half of one share purchase warrant, each whole warrant entitles the holder to purchase one common share of the Company at a price of $2.25 for 12 months following closing. Subsequent to the period, on April 14, 2012 and 26, 2012, 4,420,017 unexercised warrants and 571, 639 unexercised warrants respectively, issued in connection with the private placements, expired. The Company paid its agents a 1% cash commission on the funds raised from certain purchasers (3,225,806 Units) and 6% cash commission on the remainder of the funds raised. The Company also issued 391,071 agent's warrants entitling the agents to purchase one common share of the Company at a price of $2.25 for 12 months following closing. Lion One has used the net proceeds of the Private Placement for exploration and development work on its projects in Fiji, principally the Tuvatu Gold Project and for general working capital purposes.

Strategic Priorities

The Company is focused on the following strategic priorities:

- Resource expansion, exploration, and development of the Tuvatu Gold Project on Viti Levu
- Early-stage exploration activities on the Delaikoro and Vunimoli Projects on Vanua Levu
- Sourcing capital for future exploration, development, and general working capital

THE TUVATU GOLD PROJECT

The Tuvatu Gold Deposit is the principal asset of the Company and since completion of the Transaction in January 2011, the Company has focused upon expanding the known mineral resource, identifying additional exploration targets, and advancing redevelopment of the Project.

Tuvatu was advanced through feasibility studies and trial mining from 1997 through 2000 by previous operators Emperor Gold Mining Company Ltd. of Australia. Prior to the Transaction, the company filed a technical report titled "Technical Report and Resource Estimate on the Tuvatu Gold Property, Viti Levu, Fiji" dated October 1, 2010 by P&E Mining Consultants Inc. This report characterizes the Tuvatu resource as a vein-hosted, low-sulfidation, high grade, epithermal gold system within a larger volcanic intrusive.

The Company is focused on expanding these known epithermal resources through the verification and remodeling of historic exploration data, identifying and testing surface and regional exploration targets, and analyzing historic drill core. In addition to the immediate epithermal-related resources and exploration targets, the Company has also identified exploration targets related to porphyry-style mineralized associated with broader alteration assemblages in the Tuvatu intrusive.

The Tuvatu property lies within a north-west trending belt that hosts a number of alkaline volcanic centers. These include the Vatukoula Gold Mine located approximately 50 kilometers north east of Tuvatu. The Fijian Islands themselves are situated along the margins of the SW Pacific Rim regional tectonic plate, the host of a number of world class epithermal gold-silver and porphyry copper-gold deposits such as Lihir, Porgera, Misima, Ok Tedi, and Bougainville.

Historical work at Tuvatu includes over 80,000 meters of surface and underground drilling, metallurgical testing, resource and reserve estimation, completion of a feasibility study (by Emperor and Bateman Engineering) and construction of 1.6 kilometers of underground workings that include a 700 meter decline with a rise and several drill stations and development crosscuts.

The historic mineral reserves and reserves were estimated under JORC guidelines, and were previously delineated and disclosed by Emperor Mines; current mineral resources estimated in accordance with CIM definitions include indicated resources of 172,000 ounces (760,000 tonnes grading 7.05 g/t Au) and inferred resources of 480,000 ounces (2.618 million tonnes grading 5.71 g/t Au) at a grade cutoff of 2.0 g/t Au, capped at 40 g/t Au.

Summary of Exploration & Development Activities & Results

In the past quarter, management of the corporation commenced a shift from its expanded mineral targetted exploration model to a joint exploration and pre-production model. This shift has resulted in the Company commencing its 2012 Tuvatu Project Drill Program; a program designed to confirm and expand its resource model prior to production.

During the quarter, the Company appointed Mr. David Pals as the Company's Exploration Geologist. Mr. Pals was a Research Geologist at the Iowa Geological Survey for nine years, from 2002 to 2011, and has relocated to Nadi, Fiji, to oversee field work and resource modeling at Tuvatu. Mr. Pals holds a MSc. in Geology, with emphasis in Economic Geology, and Mineral Resources from Iowa State University and completed his thesis in a study on ore zones at the Emperor Gold Mine in Vatukoula, Fiji, in 2002. He is a member of the Society of Economic Geologists (SEG) and the Geological Society of America. Mr. Pals was awarded an Expert Field Medical Badge as a medic in the US Army, earning an Honorable Discharge.

Geological Interpretation

During the quarter, the Company continued the geological interpretations and evaluations against the incoming geochemical analyses. Maps, long sections, and drill sections were updated with historical data as well as incorporating the current analyses. The area mapped by previous explorers including Emperor and Noranda combined with the Company's own compilation mapping and sampling confirmed the limits of the porphyry feature within our tenement boundaries. The Company determined that high-grade gold mineralization cross cut the earlier stage porphyry feature. The vein structures are clearly outlined in fresh outcrop of the bench cuts made during the quarter. Further it was realized the 1:1000 scale mapping verified high grade epithermal mineralization cross cut major structural features such as the Core Shed Fault and outcrops in and on both side of Qalibua Creek.

2012 first quarter surface mapping identified continuous extensions of mineralization and continuous vein structures between already identified targets, extending from the Murau Lodes in the Tuvatu Resource area to the Tuvatu West exploration area. Further exploration identified continuous extension of the 290 Vein shear structure for 1420 meters along strike. First quarter trench mapping confirmed extensions of multiple Upper Ridges Lodes cross cut the Tuvatu porphyry area and extend north across Qalibua Creek. Exploration mapping and the geophysical survey conducted in 2011 indicates multiple targets of extensive mineralization within the Company's tenements in the Navilawa Caldera.

Several evaluations were conducted on the Company's southern tenement for the siting of the tailings dam. Sterilization mapping of these areas is currently underway to rule-out the possibility of mineralization on the prospective sites.

Soil Samples from the Vanua Levu tenements were analysed in house with an X-ray Fluorescence Spectrometer purchased to screen the soils. Select samples were sent to ALS laboratories for analyses. Evaluation of the soils is pending analyses from ALS.

290 Vein Shear Structure Extension

First quarter mapping indicated the structure continues across the Sabeto River on the surface in the Tubaico Creek drainage, striking 210° N and dipping to the SE at 80° for an overall length of more than 1400 meters. Previous explorers identified the 290 vein shear structure in the Nubunidike prospect in the Tuvatu West exploration area. Notable results from their efforts included 0.15 meters at 293.5 g/t gold, some of the highest from the Tuvau tenements at the time. The newly discovered extension was identified in outcrop adjacent to the Company's exploration camp and identified in the drainages for Bainiqo and Koroitasinai Creeks and cross-cutting the Core Shed Fault. The 290 Vein is composed of quartz/calcite with fine grained pyrite and other sulfides characteristic of multiple phases of mineralization in the area.

Murau West 1 Lode Extension

The Murau West 1 Lode intersection with the 290 Vein Shear Structure was also identified in the Tubaico Creek drainage. The orientation of the Murau West One Lode at the intersection is striking at 94° N and dipping 78° to the south and a width of 0.40 meters. Mapping indicates the structure is continuous for more than 870 meters along strike and extends from the Tuvatu Resource area to the Tuvatu West exploration area. The vein contains multi-phase mineralization with quartz/calcite veining containing sulfide and minor chlorite alteration. The Murau West 1 Lode was mapped in the 2011 exploration season in Snake Creek and rock chip assays up to 100 g/t.

Murau West 3 Lode Extension

The Murau West 3 Lode extension was mapped from Tuvatu Creek, in the Tuvatu Resource area, to the Nubunidike prospect in the Tuvatu West exploration area. The strike of the Murau West 3 lode is 250° N and carries for more than 1330 meters and 0.60 m width. The veining is characteristic quartz/calcite multi-phase with gold-bearing phases with associated sulfides.

Upper Ridges Extensions

Early 2012 first quarter exploration efforts centered on delineating the Upper Ridges Extension across major structural trends and lithologies. The exhaustive program resulted in the mapping the Upper Ridges lodes, URW1 and UR2, at the surface across the Core Shed Fault and the linear porphyritic zone and north of Qalibua Creek.

Pre-production and Feasibility Activities
During and Subsequent to the Quarter ending March 31, 2012

During the quarter, the Company commissioned Gekko Systems Pty. Ltd. of Ballarat, Australia, to conduct metallurgical testwork on Tuvatu ores in anticipation of putting the project on a fast track toward production. The company shipped a 300 kg sample of drill core composites to Gekko for comminution, gravity, and flotation testwork. Results of the tests will indicate amenability to processing routes which may include gravity concentration, flotation, intensive or traditional leaching, and gravity recoverable gold. Initial testing is expected to be completed in June of 2012.

Previous Metallurgical Testing

Previous metallurgical studies performed on Tuvatu ores include a batch treatment campaign carried out in 1997 by Emperor Gold ("Emperor"), on 968 tonnes of ore with a head grade of 3.63 g/t Au. The bulk sample was treated through the Emperor Mill at Vatukoula, located 40 km NE of Tuvatu, yielding overall gold recoveries of 86.3%. Subsequent laboratory tests carried out by Metcon in connection with the 2000 feasibility study by Bateman Kinhill on a 338 kg bulk sample yielded 90% recoveries from a combination of gravity, flotation, and cyanidation. The Company considers these tests to be relevant as they demonstrated that the ores tested were amenable to conventional treatment, and although the Company is not relying on those conclusions, we expect the current tests, conducted under different specifications using current processing technologies, will also show amenability to modern processing.

The Company believes that further testwork will be warranted based on the results of the current tests, to justify focusing on developing a recovery process flowsheet, assessing the economics of gold extraction, generating capital and operating cost models, and design parameters for any proposed processing facilities. This development work will be conducted in tandem with field work designed to expand and increase current gold resources, build an inventory of mineable gold, and advance Tuvatu towards production.

2012 Tuvatu Project Drill Program

As a follow up to the years of exploration work performed by previous operators and Lion One's own work, including that performed during the quarter as described above, the Company has announced significant extensions to the mineralized structures and its intention to place Tuvatu on a fast track to production. As a part of that effort, a drilling program has been planned to upgrade ounces in the resource categories as well as delineate additional ounces in the resource base. The initial phase of the drilling program will consist of a planned 5,000 metres of diamond drilling in 16 holes focused on follow-up and expansion work around the Upper Ridges, Murau, and Far West lodes and their extensions, as well as on the Tuvatu and H lodes. The work will happen concurrently with dewatering of the existing exploration decline and the metallurgical testing. The exploration program is expected to expand the current resource not only from the drilling, but also from increases in mineable widths by thorough evaluation of historical drill logs and previously unsampled drill intersections.

The drill program is the result of the subsequent analysis which followed from the geophysical survey performed over much of our tenements. The survey confirmed exploration targets and confirmed regional trends for ongoing exploration. Compilation of historic data along with exploration mapping and the geophysical study refined development and exploration targets. The Company anticipates that the 2012 initial phase drill program will further confirm high grade lode extensions and test surface mineralization prospects to depths.

Subsequent to the initial phase, the Company will continue its drilling program with the principal objective of expanding the gold and silver resources as the Company continues its advancement to production.

Surface exploration:

The Company is conducting surface mapping and geochemical surveys to test the new extensions on Ura, Nubunidike, and 290 vein. The company has commenced sterilization mapping for the planned tailings dam site.

Drilling Program

The Company has cleared clearing pads for the first phase of drilling for a drill rig which will be mobilized on May 28, 2012. Radial Drilling Fiji Pty Ltd was awarded the drilling contract on May 10, 2012 to commence drilling.

Dewatering

The Company has undertaken initial testing of a dewatering system including its settling ponds. The Company has created plans for a permanent dewatering station at the portal area and upon assessment of pumping needs, will commence continuous dewatering for the lifetime of the mine.

Steps toward Preliminary Economic Assessment

In addition to the metallurgical and exploration activities, the Company has engaged Dr. Andrew Richmond of Martlet Consultants Pty Ltd to provide independent verification of its model to advance the Company towards a Preliminary Economic Assessment.

Key Performance Drivers

Management considers the expansion of the existing mineral resource at the Tuvatu Gold Deposit, both along strike and down dip, and the ultimate development of the gold deposit to be its principle objective. The receipt of encouraging results from exploration programs conducted on its other, earlier stage mineral properties in the Fijian Islands is also considered a key performance driver. Sourcing and acquisition of other suitable mineral properties and the arrangement of related financing are also primary drivers to the Company’s future success.

Financial Statement Analysis

International Financial Reporting Standards ("IFRS")

The Company prepares its financial statements in accordance with accounting principles as set out in the Canadian Institute of Chartered Accountant's Handbook. These principles and guidelines were revised in 2010 requiring publicly accountable enterprises to incorporate IFRS for years beginning on or after January 1, 2011.

The Company has presented its interim condensed financial statements in accordance with IFRS, which will be included in the Company's first annual consolidated financial statements that will be prepared in accordance with IFRS for the year ending June 30, 2012. Previously, the Company had prepared its interim and annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). In this report, the term GAAP refers to the GAAP prior to the adoption of the IFRS.

Note 15 to the March 31, 2012 interim consolidated financial statements discloses the impact of the transition from GAAP to the IFRS on the Company's reported financial position, statement of operations and comprehensive loss and cash flows. Comparative figures for the 2011 fiscal periods have been restated to reflect these reporting changes.

The most significant changes to the financial reporting of the Company due to the change from GAAP to IFRS are:

1. The elimination of the future income tax liability of $1,177,047 that had resulted from the Laimes shares acquisition in September 2008;
2. The elimination of the future income tax liability and foreign exchange loss of $31,286 and $709,046 respectively that was capitalized on certain mineral property exploration costs on behalf of certain of its foreign subsidiaries; and,
3. The recognition of a listing fee expense from the reverse take-over of the AME shares in January 2011, of $20,394,590.

Results of Operations – nine month period ended March 31, 2012 compared with nine month period ended March 31, 2011

The Company's net loss for the nine months ended March 31, 2012 was $2,509,827 ($0.05 per diluted share), compared with $21, 598,925 ($0.86 per diluted share) during the same period in 2011. A summary of the results, an excerpt from the Condensed Consolidated Interim Statement of Operations and Comprehensive Loss:

	Three months ended March 31, 2012	Three months ended March 31, 2011	Nine months ended March 31, 2012	Nine months ended March 31, 2011
GENERAL AND ADMINISTRATIVE EXPENSES				
Consulting fees (note 7(d))	$ 72,750	$ 153,320	$ 180,050	$ 190,877
Foreign exchange (gain) loss	2,988	10,215	10,019	6,397
Licenses, dues and other fees	4,496	1,612	26,959	3,472
Investor relations (notes 7(d))	90,445	-	290,133	-
Management fees (note 7(b))	221,996	111,244	768,967	182,262
Office and miscellaneous	11,035	27,092	58,731	48,986
Professional fees	2,971	57,572	63,758	77,726
Rent (note 7(b))	46,800	29,131	135,063	29,131
Salaries and benefits				71,018
Shareholder communications and regulatory filings	26,386	-	56,108	-
Stock based compensation (note 10)	205,200	366,827	987,932	513,644
Travel	41,409	107,929	113,407	112,504
Operating loss	726,476	864,942	2,691,127	1,236,017
OTHER INCOME AND EXPENSE				
Listing fee on arrangement	-	20,394,590	-	20,394,590
Interest income	(55,721)	(31,682)	(181,300)	(31,682)
Net loss and other comprehensive loss for the year	670,755	21,227,850	2,509,827	21,598,925
Basic and diluted loss per share amounts (note 8(e))	$ 0.01	$ 0.63	$ 0.05	$ 0.86
Weighted average common shares outstanding	48,745,504	33,430,937	48,582,693	25,156,045

Quarterly results

Fiscal quarter ended	Total interest income	Loss from continuing operations – total	Loss from continuing operations – per share [1]	Net loss - total	Net loss - per share [1]
March 31, 2012	55,721	670,755	0.01	670,755	0.01
December 31, 2011	61,529	760,384	0.02	760,384	0.02
September 30, 2011	64,050	1,078,748	0.02	1,078,748	0.02
June 30, 2011	59,020	1,212,036	0.02	1,212,036	0.02
March 31, 2011	31,682	21,598,925	0.86	21,598,925	0.86
December 31, 2010	Nil	149,967	0.01	149,967	0.01
September 30, 2010	Nil	173,522	0.01	204,941	0.01

Note 1: Basic and diluted – share dilution is not recognized as it would be anti-dilutive

Note 2: Prior to September 30, 2010, quarterly results were not required to be prepared for the Company as it was not a reporting issuer. As discussed in the notes to the financial statements, it is impracticable to prepare prior quarterly results.

The Company's expenditures were fairly consistent with the level of expenditures incurred in the three month period ending December 31, 2011, with cost reductions in management fees, investor relations and foreign exchange recovery. The Company has commenced its exploration activities on the Tuvatu site upon the finalization of the reverse take-over and the extension of the SPL, as previously documented. The significant loss incurred in the March 31, 2011 period related to the IFRS adjustment of the reverse take-over transaction, as previously noted.

The significant changes in the nine month period ended March 31, 2012 in comparison to March 31, 2011 are comparable to the changes as documented in our annual MD&A report for the fiscal period ended June 30, 2011. In brief summary, cost increases were increased due to:

a. Investor relations reflecting continual marketing campaign and public information releases;

b. Management fees reflecting costs of salaries and benefits, business administration shareholder services, securities administration, and corporate services charged by a related company. These costs are charged on a cost recovery basis.

c. Stock based compensation reflecting costs of share options granted to employees, consultants and directors of Company in lieu of compensation.

Share Capital

At March 31, 2012, the Company had 48,863,873 common shares issued and outstanding.

Disclosure of Outstanding Share Capital as at May 25, 2012

The common shares outstanding are 48,863,873.

The stock options outstanding are as follows:

For the nine month period ended March 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, 2012
March 1, 2010	680,000		0.35	453,356	March 1, 2015
October 25, 2010	648,333		1.00	265,000	October 25, 2015
May 25, 2011	1,492,500		1.40	421,250	May 25, 2016
July 20, 2011	200,000		1.40	-	July 20, 2016
November 2, 2011	400,000		1.40	-	November 2, 2016
	4,135,833			1,854,606	

As at the date of filing 3,838,333 options were outstanding of which 1,854,606 were exercisable.

Liquidity

The Company had cash and short term investments totalling $16,848,922 at March 31, 2012 as compared to $20,829,922 at June 30, 2011. The working capital surplus of $21,251,830 at June 30, 2011 decreased to a surplus of $17,369,117 as at March 31, 2012. Funds used for operating activities during the nine month period ended March 31, 2012 and 2011 were $3,981,000 and $(9,240,055). The increase is primary attributable to increases in consulting and management fees, salaries and benefits, and travel related to the management of a public company engaged in mineral exploration. In 2011, the Company undertook a share issuance resulting in the net cash increase in the period.

The financial statements for the period ended March 31, 2012, have been prepared on the basis of accounting principles applicable to a going concern. This assumes that the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. 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 search and acquire and meet exploration commitments on the properties and upon future profitable operations or proceeds from the disposition of the properties.

The Company's principal liquidity needs for the next twelve months are to:

- fund the exploration and development of the Tuvatu Gold Deposit and the other mineral properties acquired;
- fund future acquisitions, if any, and;
- fund recurring (including general and administrative) costs.

Capital Resources

The Company will have to rely upon equity financings to satisfy its capital requirements. There can be no assurance the Company will be able to obtain the financing required in the future on acceptable terms.

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

In January 2011, the Company signed a 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 will provide management, business administration, shareholder services, securities administration, and corporate services to the Company and will charge the Company actual out-of-pocket costs. In addition, the CSA indicates that the Company will pay rent of $15,000 plus HST per month for its premises. Cabrera provided the same services to AME and X-Tal prior to signing the CSA. Management fees of $768,967 (2011 - $182,262) and rent of $135,063 (2011 - $29,131) were incurred during the period. Management fees assessed include direct wages, $738,828, which comprises of: executive staff $389,115 and support staff $349,713. 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.

At March 31, 2012, the Company had a receivable from Cabrera $24,610 (June 30, 2011 - $112,528) from overpayment of management fees.

At March 31, 2012, $12,706 (June 30, 2011 - $23,193) was due to a company having directors in common with the Company. During the period, the Company paid Fijian $66,000 to a local Fijian government agency on behalf of this company. The funds were repaid to the Company 8 days later.

During the period ended March 31, 2012, consulting fees of $112,500 (2011 - $107,500) were paid to the President of the Company, $108,000 (2010 - $Nil) were paid to the Corporate Secretary and VP Operations and $72,000 were paid to the Chief Financial Officer. Of these amounts $90,000 was capitalized to exploration and evaluation assets, $56,250 was included in investor relations expense, and the remainder is included in consulting fees.

Risks and Uncertainties

Country Risk

The Company's financial position and its future development projects may be affected by political or economic instability. These risks may include exposure to fluctuations in currency exchange rates and high rates of inflation.

Operations of future exploration properties may be affected in varying degrees by such factors as government regulations with respect to price controls, income taxes, expropriation of property, environment legislation, land use, water use and land claims. The effect of these factors will depend on the location of the mineral properties and cannot be accurately predicted.

Critical Accounting Policies and Estimates

Use of Estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of the Company's ongoing evaluation of these estimates forms the basis of making judgements about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions.

Management Reporting

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

Disclosure Controls and Procedures (“DC&P”) and Internal Controls Over Financial Reporting (“ICFR”)

The Company is a venture issuer and, as such, is not required to certify the design and evaluation of the issuer’s DC&P and ICFR and has not completed such an evaluation. The inherent limitations on the ability of the Chief Executive Officer and the Chief Financial Officer to design and implement, on a cost effective basis, DC&P and ICFR for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filing and other reports provided under securities legislation.

Certain matters regarding the Company’s DC&P and ICFR and the limitations for a company of this size are discussed below:

DC&P

Our DC&P are the internal systems, controls and procedures we have established to provide reasonable assurance that material information used internally and disclosed externally is reliable and timely. However, a control system, no matter how well conceived or operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met.

The principal forms of information and means of disclosure in the Company, which are governed by its DC&P, continuous disclosure obligations under securities regulations, periodic news releases, the Company’s website, and its investor relations materials and presentations. These materials are prepared by management. All materials disclosed are reviewed and approved by a Director. This review and approval process is documented in written or electronic form.

ICFR

Overview

The Company’s ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. ICFR should include those policies and procedures that establish the following:

- Maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of the Company’s assets;
- Reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable IFRS;
- Receipts and expenditures are only being made in accordance with authorizations of management and the Board of Director; and,
- Reasonable assurance regarding prevention or timely detection of unauthorized collection, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Discussion of Risk Factors and Compensating Factors

The Company is characterized, among other matters, by the Company's small size and number of employees. This is a common situation for companies at this stage of development as a business. The Company finds itself further characterized by a number of factors recognized in accounting literature as typical for many small businesses, which provide inherent limitations to the design of ICFR in such companies. These include:

- Limited staff and segregation of duties;
- A concentration of decision-making power and the potential for management override; and,
- Limitations on board and audit committee oversight.

In general terms, we have attempted to mitigate the risks posed to ICFR by these factors by employing or recognizing the following:

- Employment of experienced financial professionals with extensive accounting and financial reporting expertise;
- Imposition of supervision and review of accounting transactions to an extent considered reasonable within the limitations of staff size;
- Extensive and detailed analytical review of financial statement items, before statements are published, by both supervisory and executive financial personnel;
- Recognition that the same concentration of decision-making power and the associated potential for management override also arise from an intimate day-to-day knowledge of the Company's financial and other transactions and an intimate understanding of predicted financial accounting outcomes;
- Use of third party professional accounting expertise to assist with certain complex accounting standards; and,
- Notification to the Company's external auditors of the ICFR environment in which we operate to provide them with the opportunity to utilize the appropriate audit procedures.

Additional Information and Continuous Disclosure

Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR at www.sedar.com.