Management's Discussion and Analysis

For the Three Months Ended September 30, 2011

As at December 9, 2011

(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 three month period ended September 30, 2011. 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 three months ended September 30, 2011 and includes material information up to December 9, 2011. 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 affect 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. Prior to the transaction, AME and X-Tal Minerals Corp 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 Venua Levu, Fiji's second largest island. The Company received formal written confirmation of title to these tenements on Venua 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) 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	Interim 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
Brian Hall	Director

Financing

In conjunction with the Transaction, the Company has closed a concurrent 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 10,000,000 subscription receipts ("Subscription Receipts") priced at $1.00 per Subscription Receipt for gross proceeds of $10,000,000 In addition the Agents fully exercised the option granted to them by the Company to sell an additional 1,500,000 Subscription receipts at the same issue price for additional proceeds of $1,500,000. Upon completion of the Transaction each subscription receipt was automatically 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, each whole warrant entitling the holder to purchase one common share of the Company at a price of $2.00 for 12 months (January 28, 2012). The Subscription Receipts and the underlying common shares and warrants were subject to a four month hold period that expired April 22, 2011. The gross proceeds less certain costs and expenses have been 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. 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. The securities issued under the Private Placement were subject to a hold period pursuant to applicable Canadian securities laws and the rules of the TSX Venture Exchange, which expired on August 15, 2011. 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:

- Exploration and development of the Tuvatu Gold Deposit including expansion of the existing mineral resource and delineation and assessment of the near surface, lower grade, bulk tonnage mineral resources that may be amenable to lower cost, open pit mining methods;
- Exploration of the other mineral properties acquired through the reverse take-over of AME. Specifically, those earlier stage exploration targets located on the island of Venua Levu;
- Acquiring, financing and exploring other mineral properties, with the objective of attaining mining production. While the Company reviews prospects on an ongoing basis, with current resources focused on the Tuvatu Project, an appropriate opportunity has not been identified; and
- Prudent capital management including sourcing future financing for exploring and developing mining properties.

THE TUVATU GOLD DEPOSIT

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. Historically, previous operators concentrated on exploitation of the high grade epithermal gold mineralization. The Company's ongoing trenching and core re-log and re-sampling programs have identified significant intervals of near surface epithermal and porphyry related gold mineralization. The success of this program, together with recent increases in commodity prices has allowed the Company to reassess the lower grade, bulk tonnage potential of the precious and base metal mineralization hosted at Tuvatu. As a result, Management has revised the exploration program(s) proposed in the 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., that focused on the delineation and exploitation of the previously identified high grade epithermal veins. The revised program has, and will continue to focus on the identification and delineation of lower grade but potentially significantly greater volume of precious metal mineralization generally associated with porphyry gold deposit models.

Summary of Exploration & Development Activities & Results

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 kilometres north east of Tuvatu. Low sulphidation, epithermal gold veins at Tuvatu occur along the margins of the eroded Navilawa volcanic center in a multi-phase geologic environment that also hosts porphyry copper-gold and VMS style mineralization. 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 that include Lihir, Porgera, Misima, Ok Tedi and Bougainville.

Lion One Metals commenced a first phase exploration program on the Tuvatu Gold Project during the third quarter of the prior fiscal year. This ongoing program consists of an extensive trenching and surface mapping program of the mineralized zones identified on surface, south from the portal of the Tuvatu Gold Deposit decline. The decline had been completed by Emperor Mines in 2000. To date in excess of 2,500 metres of trenching has been completed in the immediate area of the Tuvatu Resource Area. With limited surface exposure, trenching has been found to be a very efficient and cost effective method of exploration.

While previous operators have focused on the exploitation of the high grade, narrow vein mineral resource with a tenure of in excess of 7 g/t Au, the Company has initiated a program to assess the lower grade, bulk tonnage potential on parts of the property that may be amenable to open pit extraction. This exploration strategy was formulated in part from observations at the Vatakula/Emperor Gold Mine (7 million + oz of Au produced to date plus 4.3 million oz Au resource and 680,000 oz Au reserves) where oxide mineral reserves with an average grade of 1.5 g/t Au are currently being exploited. Tuvatu shares many similarities with Vatakula including high grade tenure, mineralogy, deposition history and deposit model (i.e. low sulphidation epithermal deposit associated with alkali porphyry intrusive rocks). With this information and a positive price environment, Company geologists have focused their attention on broad zones of mineralization with grades ranging from 0.4 g/t to in excess of 100 g/t Au. 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 kilometres of underground workings that include a 700+ metre decline and a number of development crosscuts. While JORC compliant mineral reserves had been 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 2.0 g/t Au cut off. While the nuggety nature of the gold mineralization necessitated a 40 g/t Au grade cap for resource estimation purposes, numerous intercepts exceed this cap (i.e. up to 1,620 g/t Au across 0.5 metre). Cut-off grade for the resource estimate was 2.0 g/t Au. Technical staff are currently assessing the extent of low grade, precious metal mineralization associated with potassic alteration within the intrusive stock. The potential for delineating additional resources both above high-grade caps and below cut-off grades leads management to believe the contained gold content could prove significantly greater than that reflected in the current estimate.

Current Exploration Focus:

In October 2011, a formalized bulk work program was developed that focuses on re-sampling, re-logging and induced polarization (“IP”) surveying was implemented. This program has the objective of building a succession of resource estimates and incremental expansion of the reserve base by systematically analyzing the Tuvatu “Resource Area” in smaller bulk development blocks.

Re-sampling and Re-logging

The Company has re-sampled 50 drill holes, approximately 3,400 samples, in the initial bulk development block. This work is part of the Company’s program of assaying extensive intervals of the 60,000 metres of drill core at the Tuvatu project not previously sampled. This program and the corresponding re-logging of the core is a continuing project, currently sampling at a daily rate of approximately 125 samples (equivalent 250 metres) of core.

Induced Polarization Survey
The Company has completed 58 kilometres of its IP survey, and has prepared additional lines to obtain further depth readings over areas with prospective chargeability and resistivity anomalies. The objective of the survey is to first cover known mineral occurrences before applying the footprint to outlying areas. In combination with the survey grid, the Company has also completed 36 kilometres of soil sampling across the grid.

Trenching and Benching
As part of its ongoing trenching program, the Company was pleased to report gold mineralization results of 3.96 g/t gold over 70 metres in Trench 7, which geologically interpreted to represent the upper levels of a gold porphyry system adjoining and overprinted by a high grade epithermal system on one of its development blocks.

Dewatering Program
In May 2011, the Company received formal approval from the Mineral Resources Department to commence dewatering the Tuvatu Adit for the purpose of continuing work as outlined in the original work program. The subsequent geological findings and economic developments, as outlined previously, resulted in the dewatering program being placed on hold indefinitely. This deferral has been discussed with the Department in combination with the revised work plan for the project.

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.

This is the first reporting period for which the Company has presented its financial statements in accordance with IFRS, a period that 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 September 30, 2011 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 2010 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 – 3 month period ended September 30, 2011 compared with three month period ended September 30, 2010

The Company's net loss for the three months ended September 30, 2011 was $1,078,748 ($0.02 per diluted share), compared with $173,522 ($0.01 per diluted share) during the same period in 2010. A summary of the results, an excerpt from the Consolidated Interim Statement of Operations and Comprehensive Loss:

	Three months ended September 30, 2011	Three months ended September 30, 2010
GENERAL AND ADMINISTRATIVE EXPENSES		
Consulting fees (note 8(e))	$ 48,650	$ 22,991
Foreign exchange (gain) loss	86,961	(3,254)
Licenses, dues and other fees	6,630	1,566
Investor relations (notes 8(c) and(e))	126,742	-
Management fees (note 8(c))	343,787	44,595
Office and miscellaneous	24,591	15,216
Professional fees	14,783	14,500
Rent (note 8(c))	43,697	-
Shareholder communications and regulatory filings	8,377	
Stock based compensation (note 11)	423,799	73,591
Travel	14,781	4,317
Operating loss	1,142,798	173,522
OTHER INCOME		
Interest income	(64,050)	-
Net loss and other comprehensive loss for the year	1,078,748	173,522
Basic and diluted loss per share amounts (note 9(e))	$ 0.02	$ 0.01
Weighted average common shares outstanding	48,365,966	21,108,543

See accompanying notes to condensed consolidated interim financial statements.

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]
September 30, 2011	64,050	1,078,748	0.02	1,078,748	.02
June 30, 2011	59,020	1,212,036	0.02	1,212,036	0.02
March 31, 2011	31,682	924,205	0.03	21,318,795	0.70
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 June 30, 2011. 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, 2010 period related to the IFRS adjustment of the reverse take-over transaction, as previously noted.

The significant changes in the 3 month period ended September 30, 2011 in comparison to September 30, 2010 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 September 30, 2011, the Company had 48,581,586 common shares issued and outstanding. Subsequent to the quarter end, on November 9, 2011, the Company issued 91,667 common shares as a result of the exercising of a stock option by a consultant, the exercise price was at $0.35 per share.

Disclosure of Outstanding Share Capital as at December 9, 2011

The common shares outstanding are 48,673,253.

The stock options outstanding are as follows:

For the 3 month period ended September 30, 2011

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	249,000		0.35	249,000	February 9, 2014
March 1, 2009	476,667		0.35	476,667	March 1, 2012
March 1, 2010	680,000		0.35	226,644	March 1, 2013
October 25, 2010	820,000		1.00	136,667	October 25, 2015
May 25, 2011	1,635,000		1.40	-	May 25, 2016
July 20, 2011	200,000		1.40	-	July 20, 2016
	4,260,667			1,288,978	

On November 2, 2011, a further 600,000 options were granted at an exercise price of $1.40. On November 9, 2011, 66,667 options, from the March 1, 2009 issue, were exercised. On November 15, 2011, the Company cancelled 326,667 options. As at the date of filing 4,467,333 options were outstanding of which 1,222,311 were exercisable.

Liquidity

The Company had cash and short term investments totalling $19,495,436 at September 30, 2011 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 $20,067,009 as at September 30, 2011. Funds used for operating activities during the period ended September 30, 2011 and 2010 were $1,334,486 and $24,840 respectively. 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.

The financial statements for the period ended September 30, 2011, 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 program 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 after the proposed acquisition. 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 $343,787 (2010 - $44,595) and rent of $43,697 (2010 - $Nil) were incurred during the period. 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 September 30, 2011, the Company owes Cabrera $24,126 in management fees. At June 30, 2011, the Company had a receivable from Cabrera of $112,528.

At September 30, 2011, $26,032 (June 30, 2010 - $23,193) was due from 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 September 30, 2011, consulting fees of $37,500 (2010 - $15,000) were paid to the President of the Company and $36,000 (2010 - $Nil) were paid to the Corporate Secretary and VP Operations. Of these amounts $18,000 was capitalized to exploration and evaluation assets, $18,750 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.