Avocet Resources Limited to Merge with Lion One Metals at Substantial Premium

Avocet Resources Limited (ASX: AYE) ("**Avocet**") and Lion One Metals (TSX-V: LIO) ("**Lion One**") are pleased to announce that they have executed a Merger Implementation Agreement ("**MIA**") pursuant to which Lion One proposes to acquire all of the issued shares in Avocet by way of Scheme of Arrangement ("**Scheme**").

Under the proposed merger, Avocet shareholders will receive 1 Lion One share for every 9.5 Avocet shares they hold[1]. Based on the closing price of Lion One shares on 19 December 2012, the merger implies an offer price of A$0.0721 per Avocet share[2], representing a premium of 28.73% to the closing price of Avocet shares on 20 December 2012, and a premium of 28.07% to the 60-day volume-weighted average price of Avocet shares for the period ending 20 December 2012.

Highlights of the combined Avocet and Lion One entity ("**Merged Entity**") include:

- The Tuvatu Gold Project – Lion One Metal's advanced exploration gold project located on the Fijian Island of Viti Levu. The Tuvatu deposit hosts an Indicated Mineral Resource of 172,000 ounces of gold at an average grade of 7.05 g/t gold and an Inferred Mineral Resource of 480,000 ounces of gold at an average grade of 5.71 g/t gold[3]. Recently completed and ongoing surface, underground and diamond drill programs have concentrated on expansion of this resource. The management of Lion One is confident that incorporation of these results into the existing data base has the potential to significantly expand the current resource.
- A feasibility study commissioned by Emperor Mines, the previous owner and operator of the Tuvatu Gold Project, in 2000 reported that the Tuvatu Project

[1] Ineligible Avocet shareholders and Avocet shareholders with small parcels will have the Lion One shares they would otherwise receive under the Scheme issued to a nominee for sale.
[2] Calculated based on an exchange rate of 1 AUD = 1.0367 CAD
[3] The current mineral resource estimate was completed in August 2010 and, as required by National Instrument 43-101, was prepared in accordance with CIM definitions, using a 2.0 g/t Au cutoff.

hosted a probable reserve prepared in accordance with JORC of 269,000 ounces of gold at an average grade of 6.63 g/t gold at a break-even gold price of US$325.00[4]

- A 25% interest in the Olary Creek Iron Ore Project located in South Australia, 70 km's from Broken Hill, with ready access to roads, rail and port facilities. Avocet's interest is free carried by its joint Venture partner to completion of a Bankable Feasibility Study and a Decision to Mine being made by the management committee. A total over 16,000 m's of drilling, from 55 diamond and reverse circulation holes, has highlighted the high grade and low impurities nature of the iron concentrate.
- Earning a 51% interest in the Monster precious metal project which forms part of the Ashburton Property. The Monster project hosts mineralized structures that have been traced over a strike length of over 13km with grades ranging to 13g/t Au and 1660g/t Ag in rock chips.
- A strong portfolio of other precious and base metal and uranium projects in Australia, Fiji, and Argentina.
- An experienced team comprising members of both Avocet and Lion One capable of rapidly advancing the combined assets of the Merged Entity.
- Cash in hand of approximately C$18 million.
- A market capitalization in excess of C$35 million (based on the share prices as at 20 December 2012) with the potential for a marketing re-rating.

Board of Directors' Recommendations

All independent directors of Avocet recommend that Avocet shareholders vote in favour of the merger in the absence of a superior proposal for Avocet and subject to an independent expert concluding that the Scheme is in the best interests of Avocet shareholders.

Transaction Structure and Terms

Under the proposal, Lion One will acquire all the issued ordinary shares of Avocet by way of the Scheme, where eligible Avocet shareholders will receive 1 Lion One share for every 9.5 Avocet shares held. On completion of the Scheme, Avocet shareholders and Lion One shareholders will hold approximately 18.5% and 81.5%, respectively, of the issued common shares of the Merged Entity (assuming that no options are exercised by Avocet

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[4] Note that the Emperor reserve estimate prepared in accordance with JORC has been superseded by the Lion One Metals Mineral Resource Estimate (August 2010). A qualified person has not performed sufficient work to classify the historical estimate as current mineral resources or reserves. Lion One is not treating the historical estimate as current mineral resources or reserves. The Emperor feasibility study was prepared by several notable engineering firms including Bateman Engineering Pty Ltd.

or Lion One option holders). Lion One shareholders will continue to hold their existing Lion One common shares.

The merger is subject to a number of conditions precedent, including regulatory, Australian Court, shareholder, and third party approvals. Regulatory approvals include TSX-V approvals in respect of the new Lion One shares under the Scheme.

The full terms of the MIA will be released to the ASX in a separate announcement.

Avocet shareholders will receive a scheme booklet, which will contain full details of the proposed merger, the basis for the Avocet independent directors' recommendation, and an Independent Expert's Report. It is anticipated that the scheme booklet will be dispatched to shareholders in early March 2013, and that a meeting of Avocet shareholders to vote on the scheme will be held in early April 2013. It is envisaged that the merger will be implemented in April 2013.

Indicative Timetable for the Scheme

KEY EVENTS	DATE
Announcement of the proposed merger	21 December 2012
First Court date to seek approval to convene a meeting of Avocet shareholders to consider the Scheme.	February 2013
Scheme Booklet dispatched to Avocet shareholders.	March 2013
Avocet shareholders meeting to vote on the Scheme.	April 2013
Second Court date to seek Court approval of the Scheme.	April 2013
Scheme implementation.	April 2013

Further information relating to the Company and its various exploration projects can be found on the Company's website at www.avocetresources.com.au.

Stephen Mann
Managing Director

21st December 2012

The information in this report that relates to Exploration Results and Mineral Resources of Avocet is based on information compiled by Stephen Mann, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Mann has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which the Company is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Mann is a full-time employee of Avocet Resources Limited. Mr. Mann consents to the inclusion of the information in this announcement in the form and context in which it appears.

The information in this report that relates to Mineral Resources and Ore Reserves of Lion One Metals Limited is based on information compiled by Darcy Krohman, P.Geo., C.A., who is a Member of the Association of Professional Engineers and Geoscientists of British Columbia. Mr. Krohman has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which Lion One Metals Limited is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Krohman is a consultant to Lion One Metals Limited. Mr. Krohman consents to the inclusion of the information in this announcement in the form and context in which it appears.

The information in this announcement may contain forward-looking information relating to the future performance of Lion One Metals Limited, Avocet Resources Limited, and the Merged Entity. Forward-looking information, specifically, that concerning future performance and exploration results, is subject to certain risks and uncertainties, and actual results may differ materially. These risks and uncertainties are detailed from time to time in Lion One's and Avocet's filings with the appropriate securities commissions.