

Avocet Resources Limited

ABN 11 113 446 352

Scheme Booklet

for a scheme of arrangement implementing the proposed merger between Avocet Resources Limited and Lion One Metals Limited

Your independent Directors unanimously recommend that, in the absence of a superior proposal, you vote in favour of the Scheme.

The Notice of Scheme Meeting is set out in **Annexure G** to this Scheme Booklet.

This document is important and requires your immediate attention. You should read the document in full before you decide whether or not to vote in favour of the Scheme. If you are in doubt as to what you should do, you should consult your legal, investment, taxation or other professional adviser.

Australian Legal Adviser to Avocet



Canadian Legal Adviser on Certain Matters to Avocet



STIKEMAN ELLIOTT LLP

Important notices

Date of this Scheme Booklet

This Scheme Booklet is dated 19 April 2013.

Defined terms and interpretation

Capitalised terms used in this Scheme Booklet are defined in the Glossary at the end of this Scheme Booklet. The Glossary also sets out some rules of interpretation which apply to this Scheme Booklet.

Explanatory statement

This Scheme Booklet includes the explanatory statement for the Scheme required by section 412(1) of Part 5.1 of the Corporations Act. The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which it will be implemented (if approved) and to provide information material to your decision whether to vote in favour of the Scheme.

Read this document

This Scheme Booklet is important. You should carefully read this Scheme Booklet before making a decision about how to vote on the resolutions to be considered at the Scheme Meeting.

No investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to individual investment objectives, financial situation, taxation position or particular needs. It is important that you read this Scheme Booklet before making any decision, including a decision on whether or not to vote in favour of the Scheme. If you are in doubt as to what you should do, you should consult your legal, investment, taxation or other professional adviser.

Responsibility for information

The Avocet Information has been prepared by Avocet and is the responsibility of Avocet.

The Lion One Information has been prepared by Lion One and is the responsibility of Lion One.

RSM Bird Cameron has prepared, and is responsible for, the Independent Expert's Report contained in **Annexure A** of this Scheme Booklet. None of Avocet, Lion One, their respective Related Bodies Corporate or the directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

Salva Resources has prepared, and is responsible for, the Independent Technical Specialist's Report contained in Appendix 5 to the Independent Expert's Report contained in **Annexure A** of this Scheme Booklet. None of Avocet, Lion One, their respective Related Bodies Corporate or the directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of the Independent Technical Specialist's Report.

KPMG Transaction Services has prepared, and is responsible for, the Investigating Accountant's Report contained in **Annexure B** of this Scheme Booklet. None of Avocet, Lion One, their respective Related Bodies Corporate or the directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of the Investigating Accountant's Report.

Role of ASIC, ASX, and the Court

A copy of this Scheme Booklet has been given to ASIC in accordance with section 411(2) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides the statement, then it will be produced to the Court at the time of the Second Court Date. Neither ASIC, ASX, nor any of their officers take any responsibility for the accuracy or completeness of this Scheme Booklet. A copy of this Scheme Booklet has been lodged with ASX.

Important Notice associated with Court order under subsection 411(1) of the Corporations Act

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved this Scheme Booklet does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or as to how Shareholders should vote (on this matter Shareholders must reach their own decision); or

(b) has prepared, or is responsible for the content of, the Scheme Booklet.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

Notice to Shareholders in jurisdictions outside Australia and its external territories, Canada, New Zealand, Singapore and the United Kingdom

Restrictions in certain jurisdictions outside Australia may make it impractical or unlawful for New Lion One Shares to be issued under the Scheme to, or received under the Scheme by, Avocet Shareholders in those jurisdictions. Any Scheme Shareholder whose address as shown in the Share Register at 5.00pm on the Record Date is outside of Australia and its external territories, Canada, New Zealand, Singapore and the United Kingdom will be regarded as an Ineligible Foreign Shareholder for the purposes of the Scheme, unless Avocet and Lion One are reasonably satisfied that it is lawful and not unduly onerous or impracticable to issue New Lion One Shares to the Scheme Shareholder when the Scheme becomes Effective. Ineligible Foreign Shareholders will not receive New Lion One Shares. Instead, all Ineligible Foreign Shareholders will have the New Lion One Shares that would otherwise have been issued to them under the Scheme issued to the Sale Agent, as nominee in trust for the Scheme Shareholders, for sale on market following implementation of the Scheme.

Notice to Avocet Shareholders in Canada

This Scheme Booklet has not been approved or disapproved by any securities regulatory authority in Canada, nor has any securities regulatory authority passed upon the fairness or merits of the Scheme or upon the accuracy or adequacy of the information contained in this Scheme Booklet and any representation to the contrary is unlawful.

The New Lion One Shares being issued to Avocet Shareholders in connection with the Scheme will be issued by Lion One in reliance upon exemptions from the prospectus and registration requirements of the applicable Canadian securities law in each province and territory of Canada. The New Lion One Shares issued in connection with the Scheme may (through a registered dealer, unless the dealer registration requirements do not apply) be resold in each province and territory in Canada, including through the TSX-V, subject to the usual conditions that Lion One is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade, the trade is not a control distribution, no unusual effort has been made to prepare the market or create a demand for the New Lion One Shares, no extraordinary commission or consideration is paid to a person or company in respect of the trade and if the selling securityholder is an insider or officer of Lion One, such selling securityholder has no reasonable grounds to believe that Lion One is in default of applicable Canadian securities law.

Notice to Avocet Shareholders in New Zealand

The New Lion One Shares to be issued under the Scheme to New Zealand resident Avocet Shareholders will be issued in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (NZ). This booklet is not a New Zealand prospectus or an investment statement and has not been registered with, filed with or approved by any New Zealand regulatory authority under or in accordance with the *Securities Act 1978* (NZ) (or any other relevant New Zealand law). This booklet may not contain all the information that a prospectus or investment statement is required to contain under New Zealand law.

Notice to Avocet Shareholders in Singapore

This Scheme Booklet has not been lodged or registered with the Monetary Authority of Singapore (**MAS**) and is not made in or accompanied by a prospectus that is registered by the MAS. The MAS assumes no responsibility for the contents of this Scheme Booklet. The MAS has not in any way considered the merits of the New Lion One Shares being offered pursuant to the Scheme as described in this Scheme Booklet. This Scheme Booklet has been provided to Shareholders in Singapore on the basis that they are a Shareholder of Avocet pursuant to the Scheme and that the offer is made in connection with a proposed compromise or arrangement between a company incorporated outside Singapore which is not listed on the Singapore Exchange Limited and its members, and the Scheme complies with the laws relating to schemes of arrangement in the place of incorporation of such company.

Notice to Avocet Shareholders in the United Kingdom

This booklet has not been prepared in order to comply with the laws of the United Kingdom nor has it been lodged, registered, approved or disapproved by any securities regulatory authority in the United Kingdom and, accordingly, no such regulator assumes responsibility for the contents of this Scheme Booklet nor has in any way considered the merits of the New Lion One Shares to be issued under the Scheme as described in this Scheme Booklet.

Forward looking statements

Certain statements in this Scheme Booklet are about future matters. These forward looking statements and information, including statements and information relating to the Merged Group and the transactions contemplated by the Merger Implementation Agreement, are not based solely on historical facts, but rather reflect the current expectations of Avocet or, in relation to the Lion One Information, Lion One, concerning future results and events. These statements may sometimes be identified by the use of forward looking words or phrases such as

if, when, believe, aim, will, expect, anticipate, intend, foresee, likely, should, could, plan, may, estimate, budget, forecast, envisage, target, potential or other similar words or phrases. Similarly, statements that describe Avocet's, Lion One's or the Merged Group's objectives, plans, goals or expectations, estimates of reserves and resources, and future costs are, or may be, forward looking statements.

Forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performances or achievements of Avocet, Lion One or the Merged Group to be materially different from future results, performances or achievements expressed or implied by such statements. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which Avocet, Lion One and the Merged Group will operate in the future, including the price of precious metals and commodities, anticipated costs and ability to achieve goals. Certain important factors that could cause actual results, performances or achievements to differ materially from those in the forward looking statements include, among others, precious metal and commodity price volatility, discrepancies between actual and estimated exploration, mineral reserves and resources and metallurgical recoveries, development risk, litigation risks, regulatory restrictions (including environmental regulatory restrictions and liability), activities by governmental authorities (including changes in taxation), currency fluctuations, the speculative nature of exploration, the global economic climate, dilution, share price volatility, competition, loss of key employees, additional funding requirements and defective title to mineral claims or property. See **section 11** of this Scheme Booklet for a discussion of potential risk factors underlying, and other information relevant to, the forward looking statements and information. Forward looking statements and information should, therefore, be construed in light of such risk factors and undue reliance should not be placed on them.

You should note that the historical performance of Avocet and Lion One is no assurance of their or the Merged Group's future financial performance. Neither Avocet, Lion One and their respective directors, nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements and information in this Scheme Booklet will actually occur.

The forward looking statements and information in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Subject to any continuing obligations under law, Avocet, Lion One and their respective directors disclaim any obligation or undertaking to disseminate, after the date of this Scheme Booklet, any updates or revisions to any forward looking statements and information to reflect any change in expectations in relation to them or any change in the events, conditions or circumstances on which they are based.

Mineral reserves and mineral resources

The information in this Scheme Booklet that relates to exploration results and Mineral Resources reported by Lion One has been prepared in accordance with the Canadian Securities Administrators, National Instrument 43-101 (NI 43-101). Specifically, NI 43-101 requires that Mineral Resource estimates be prepared in accordance with, and have the meaning ascribed by, the Canadian Institute of Mining and Petroleum (CIM) Definition Standards. NI43-101 Companion Policy also identifies the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) as an "acceptable foreign code" for the estimation of mineral resources and that it is substantially similar to CIM Definition Standards as both are based on and are consistent with the International Reporting Template, published by the Committee for Mineral Reserves International Reporting Standards (CRIRSCO Template).

The Independent Technical Specialist would not expect that statements of mineral resources and mineral reserves prepared in accordance with the CIM Definition Standards applicable under NI 43-101 would be materially different if prepared in accordance with the JORC Code.

There can be no assurance that those portions of such mineral resources that are not mineral reserves will ultimately be converted into mineral reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet, including but not limited to those in respect of the Scheme Consideration, are subject to the effect of rounding (unless otherwise stated). Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet, and any discrepancies in any table between totals and sums of amounts listed in that table or to previously published figures are due to rounding.

Currency

All references in this Scheme Booklet to:

- “\$”, “AUD”, “Australian dollars” and “cents” are to Australian currency; and
- “C\$”, “CAD” and “Canadian dollars” are to Canadian currency.
- “US\$”, “USD” and “US dollars” are to United States currency.

Privacy and personal information

Avocet and Lion One and their respective registries and agents will need to collect personal information to implement the Merger. The personal information may include the names, contact details, bank account details, and details of shareholdings of Shareholders together with contact details of individuals appointed by Shareholders as proxies, body corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

Shareholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them and may contact the Avocet Share Registry if they wish to exercise those rights.

The information may be disclosed to Avocet’s and Lion One’s registries and stock transfer agents, securities brokers, third party service providers (including print and mail service providers), and to Avocet and Lion One and their respective advisers and agents to the extent necessary to effect the Merger. The information may also be used to call Shareholders in relation to their securities or the Merger. If the information outlined above is not collected, Avocet may be hindered in, or be prevented from, conducting the Scheme Meeting or implementing the Merger effectively, or at all.

Shareholders who appoint an individual as their proxy, body corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above.

Persons are entitled, under section 173 of the Corporations Act, to inspect and copy the Avocet Share Register. This register contains personal information about Shareholders.

IF YOU HAVE ANY QUESTIONS IN RELATION TO THE MERGER, SCHEME OR THE SCHEME MEETING PLEASE CONTACT THE AVOCET SHAREHOLDER COMMUNICATION LINE ON 1300 685 174 (TOLL FREE WITHIN AUSTRALIA) OR +61 2 8022 7902 (OUTSIDE AUSTRALIA) OR CONSULT YOUR LEGAL, INVESTMENT, TAXATION OR OTHER PROFESSIONAL ADVISER.

A COPY OF THIS SCHEME BOOKLET CAN BE FOUND ON AVOCET’S WEBSITE ([HTTP://WWW.AVOCETRESOURCES.COM.AU](http://www.avocetresources.com.au)), AND UNDER AVOCET’S PROFILE ON THE ASX ([WWW.ASX.COM.AU](http://www.asx.com.au)).

Contents

Letter from the Chairman of Avocet	i
Letter from the Chairman of Lion One	iii
Important dates and times for the Scheme	1
1 Voting considerations	2
1.1 Why you should vote in favour of the Scheme	2
1.2 Why you might vote against the Scheme	7
2 Summary of the Merger	10
2.1 Introduction	10
2.2 What you will receive	10
2.3 Directors' recommendations	11
2.4 Independent Expert	11
2.5 An introduction to Lion One	11
2.6 Implementation, timetable and procedures	11
2.7 Conditions to the Scheme	12
2.8 Scheme Meeting	12
2.9 Voting thresholds	13
2.10 Court Approval	13
2.11 Tax implications	13
2.12 What to do next	13
3 Frequently Asked Questions	14
4 Meeting and voting information	29
4.1 Scheme Meeting	29
4.2 Court and ASIC approval	29
4.3 Entitlement and ability to vote at the Scheme Meeting	29
4.4 Avocet Shareholders - Voting at the Scheme Meeting	30
4.5 Entitlement to Vote	32
4.6 Shareholder Information	32
4.7 Further Information	32
5 Key considerations	33
5.1 Background	33
5.2 Scheme Consideration	33
5.3 Directors' recommendation	33
5.4 Why you should vote in favour of the Scheme	33
5.5 Why you might vote against the Scheme	37
5.6 Other relevant considerations	39
5.7 What are your options and what should you do?	40
6 Scheme Consideration	42
6.1 Overview	42
6.2 Scheme Consideration	42
6.3 Lion One CDIs and Lion One Shares	43
6.4 Ineligible Foreign Shareholders	45

6.5	Small Shareholders	46
7	Information about Avocet	47
7.1	General	47
7.2	About Avocet	47
7.3	Avocet's main projects	47
7.4	Financial information	50
7.5	Directors of Avocet	53
7.6	Avocet's issued securities	54
7.7	Litigation	54
7.8	Further information	54
8	Information about Lion One	55
8.1	Information about Lion One	55
8.2	Background and overview	55
8.3	Corporate structure	55
8.4	Fiji geology	56
8.5	Tuvatu Gold Project (SPL 1283, 1296 and 1465)	56
8.6	Vunimoli and Delaikoro Projects (SPL 1267 and 1468)	59
8.7	Directors	59
8.8	Historical financial information	61
8.9	Information about Lion One's securities	63
8.10	Lion One stock option plan	65
8.11	Transactions with related parties	67
8.12	Legal disputes	67
9	Information about the Merged Group	68
9.1	Future direction of the Merged Group	68
9.2	Board of Directors of the Merged Group	69
9.3	Principal activities and assets of the Merged Group	69
9.4	Resources, reserves and exploration targets	69
9.5	Intentions	69
9.6	Ownership	70
9.7	Pro Forma Financial Information	71
9.8	Financial forecasts	73
9.9	Capital structure and listing information	74
10	Taxation considerations	75
10.1	General	75
10.2	Capital gains tax on disposal of Avocet Shares to Lion One	75
10.3	CGT rollover relief on disposal of Avocet Shares	76
10.4	Tax implications where CGT rollover relief either not available, or not elected	76
10.5	Tax implications for Electing Small Shareholders	77
10.6	Assessability of future dividend income received from New Lion One Shares	77
10.7	Future disposal of New Lion One Shares	77
11	Potential Risk Factors	79
11.1	Introduction	79
11.2	Risks relating to financial matters	79

11.3	Risks relating to business and operations	81
11.4	Risks relating to acquisitions	88
11.5	Risks relating to Lion One CDIs or Lion One Shares	90
11.6	Risks relating to the Merged Group	91
12	Additional information	93
12.1	Merger Implementation Agreement	93
12.2	Conditions to the Merger	93
12.3	Conditions to Merger that have already been satisfied or waived	94
12.4	Exclusivity arrangements	94
12.5	Break Fees	95
12.6	Deed Poll	95
12.7	Scheme Meeting	95
12.8	Court approval of the Scheme	96
12.9	Actions by Avocet and Lion One	96
12.10	Effective Date	97
12.11	Suspension and de-listing	98
12.12	Termination of the Merger Implementation Agreement	98
12.13	Interests of Directors	98
12.14	Relevant interests of Lion One in Avocet securities	99
12.15	Dealings in Avocet securities	100
12.16	Warranty by Scheme Shareholders	100
12.17	Lodgement of this Scheme Booklet	100
12.18	No unacceptable circumstances	100
12.19	Regulatory Relief	100
12.20	Other interests, fees and benefits	103
12.21	Consents	104
12.22	Creditors of Avocet	105
12.23	Material changes since Half Year 31 December 2012 reviewed financial statements	105
12.24	Other material information	106
12.25	Supplementary information	106
12.26	Information relating to exploration results and mineral resources	106
	Glossary	108
	Annexure A - Independent Expert's Report	118
	Annexure B – Investigating Accountant's Report	288
	Annexure C - Summary of Merger Implementation Agreement	296
1	Structure of the Merger	296
2	Conditions Precedent	296
3	Avocet Options	297
4	Conduct of Business	297
5	Representations and Warranties	298
6	Termination	298
7	Exclusivity	298
8	Break Fee	299

Annexure D - Scheme	300
Annexure E - Deed Poll	320
Annexure F - Comparison of Relevant Laws	329
Annexure G - Notice of Scheme Meeting	351

Letter from the Chairman of Avocet

Dear Avocet Shareholder,

I am pleased to present this opportunity for Avocet Shareholders to participate in the creation of a diversified minerals explorer formed through the Merger, which is to be implemented by way of a Scheme of Arrangement.

Avocet sees the Merger as an opportunity for Avocet Shareholders to become involved in a company with an advanced exploration and development profile, predominantly through exposure to Lion One's wholly owned Tuvatu Gold Project in Fiji, which lies in the highly mineralised Pacific Islands Arc and currently contains a high grade mineral resource of 652,000 ounces of gold¹. Lion One is currently conducting drilling and development work to expand the resource and advance the Tuvatu Gold Project towards production.

Each Avocet Shareholder² will receive 1 New Lion One Share, in the form of a Lion One CDI tradeable on the ASX, for each 9.5 Avocet Shares they hold on the Record Date.

Based on the closing price of Lion One Shares on the TSX-V on 19 December 2012 (the last ASX trading day before the announcement of the Merger), the implied value of the Scheme Consideration was A\$0.0721³ per Avocet Share which represents a 28.73% premium to Avocet's closing price on the ASX on 20 December 2012, and a 28.07% premium to Avocet's 60-day volume weighted average trading price on the ASX for the period ending 20 December 2012.

In addition to the substantial premium offered to Avocet Shareholders, the Merger of Avocet and Lion One will:

- combine the assets, reserves, operations and people of two quality companies that should enable the Merged Group to grow and generate greater shareholder value than is currently available to Avocet and Lion One alone;
- create a combined group that will have a materially stronger balance sheet with a pro forma cash position of approximately C\$18 million (versus C\$4 million for Avocet standalone) as at 31 December 2012 which the Merged Group intends to use to advance exploration of the Tuvatu Gold Project, explore Avocet's prospective exploration projects in Australia and Argentina, and seek and evaluate further mineral resource properties and growth opportunities;
- result in a Merged Group that will be led by a capable and experienced board, and senior management that has a long and successful track record in creating, financing and growing junior

¹ 652,000 ounces of gold consisting of 172,000 oz. Au Indicated and 480,000 oz. Au Inferred Mineral Resources respectively. The terms "Indicated and Inferred Mineral Resources" in this context have the meanings given to those terms by NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum.

² Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

³ Calculated based on an exchange rate of 1 AUD = 1.0367 CAD.

and intermediate mining companies. Your Managing Director, Mr Stephen Mann will retain that position with the Merged Group; and

- provide Avocet Shareholders with an increased exposure to Canadian, North American and European capital markets and investors through Lion One's listing on foreign exchanges.

Your independent Directors believe that these benefits significantly outweigh the potential disadvantages, risks and other considerations in relation to the Scheme (further details of which are set out in sections 1.2 and 5.5 of this Scheme Booklet).

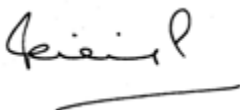
Avocet has engaged RSM Bird Cameron as an independent expert to review the terms of the Scheme. The Independent Expert has concluded that the Scheme is in the best interests of Avocet Shareholders.

Your independent Directors unanimously recommend that, in the absence of a Superior Proposal for Avocet, you vote in favour of the Scheme, as they believe that this transaction is in the best interests of Avocet Shareholders.

Your vote is important and your independent Directors encourage you to vote at the Scheme Meeting, either by attending the Scheme Meeting scheduled to be held on 27 May 2013 or by completing and returning the attached proxy form. You should carefully read this Scheme Booklet in full. If you are unsure as to the action you should take, or the effect of the Scheme on your individual circumstances, we encourage you to consult your legal, investment, taxation or other professional adviser.

We thank you for your support of the Merger and Avocet Resources Limited.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Philip Lucas', with a horizontal line underneath it.

Philip Lucas
Chairman
Avocet Resources Limited

Letter from the Chairman of Lion One

Dear Avocet Shareholder,

On behalf of the Lion One Metals Limited Board of Directors, I am pleased to present you with the opportunity to participate in the combination of two companies through a merger by way of a Scheme of Arrangement.

The Directors of Lion One and Avocet have recognised an opportunity to achieve critical mass in terms of assets and market recognition by combining our respective asset portfolios under a single corporate entity. The proposed combination offers greater exposure to North American equity markets, increased operational and managerial experience and expertise, significant asset diversification across a broad range of commodities including gold, iron ore and uranium, along with a reduction in political risk given the fact our assets will be located in several geographical locations and mining jurisdictions.

The Merged Group will have greater financial resources, a stronger balance sheet, and a better capital structure that will better position the continuing company to pursue exploration and development opportunities in Australasia and around the world that may not have previously been possible.

The transaction offers Avocet Shareholders the chance to become shareholders in a company with an advanced stage exploration and development profile, predominantly through exposure to Lion One's Tuvatu Gold Project in Fiji. The Tuvatu Gold Project currently contains Inferred Resources of 480,000 ounces of gold (2.618 million tonnes grading 5.71 g/t Au) and Indicated Resources of 172,000 ounces of gold (760,000 tonnes grading 7.05 g/t Au)⁴.

Lion One is currently focused on advancing the Tuvatu Gold Project towards commercial production through continued exploration and the expansion of gold resources that will support the staged development of commercially viable gold deposits within and around its core holdings at Tuvatu.

With its large and geographically diverse exploration portfolio, Avocet will require a significant amount of capital in the coming years to advance its projects through exploration to commercial production which Avocet management recognises could lead to considerable dilution to existing Avocet Shareholders.

The Merged Group will have working capital of approximately C\$18 million, a market capitalisation exceeding C\$35 million⁵ and the opportunity to have its share price re-rated at potentially much higher levels through its listing on a North American stock exchange. Based on the closing price of Lion One Shares on TSX-V on 19 December 2012 (the last ASX trading day before the announcement of the Merger), the implied value of the Scheme Consideration was A\$0.0721⁶ per Avocet Share, which represents a 28.07% premium to the 60-day volume weighted average trading price of Avocet Shares on the ASX for the period ended 20 December 2012.

Based on the closing price of Lion One Shares on TSX-V on 16 April 2013 (being the last practicable ASX trading day prior to the finalisation of this Scheme Booklet), the implied value of the Scheme Consideration is A\$0.0467⁷ per Avocet Share, which represents a 13.90% premium to the closing price of Avocet Shares on 16 April 2013.

⁴ The terms "Indicated and Inferred Mineral Resources" in this context have the meanings given to those terms by NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum.

⁵ Calculated based on the closing price of Lion One Shares on TSX-V at the Announcement Date.

⁶ Calculated based on an exchange rate of 1 AUD = 1.0367 CAD.

⁷ Calculated based on an exchange rate of 1 AUD = 1.0600 CAD.

Importantly, the Merged Group will be managed by a capable and experienced board of directors and executive management team with the ability to aggressively exploit the exploration and development potential of Avocet's existing asset base and those of the Merged Group. Stephen Mann, Avocet's current Managing Director, will retain that position with the Merged Group.

The Independent Expert, RSM Bird Cameron, has concluded that the Scheme is in your best interests. The independent Directors of Avocet unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the Scheme.

On behalf of the Lion One board, I encourage you to vote in favour of the Scheme.

I am excited about the opportunities that lie ahead for the Merged Group and believe the timing of the merger coincides with a brighter long term outlook for mineral commodities including gold and base metals. As Chairman and CEO of Lion One, I look forward to welcoming you as a new Lion One CDI holder.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Walter Berukoff', with a stylized flourish at the end.

Walter Berukoff
Chairman & CEO
Lion One Metals Limited

Important dates and times for the Scheme⁸

Latest time and date for lodgement of completed proxy form for the Scheme Meeting	10 am (WST) on 25 May 2013
Time for determining eligibility to vote at the Scheme Meeting (Voting Record Date)	5pm (WST) on 25 May 2013
Time and date of the Scheme Meeting	10am (WST) on 27 May 2013
Second Court Date for approval of the Scheme	31 May 2013
Effective Date of the Scheme and last day of trading of the Avocet Shares on the ASX	4 June 2013
Lion One CDIs commence trading on the ASX (deferred settlement basis)	5 June 2013
Record Date for determining entitlements to the Scheme Consideration (Record Date)	12 June 2013
Implementation Date for the Scheme	19 June 2013
Commencement of despatch of holding statements for Lion One CDIs	As soon as practicable after the Implementation Date
Lion One CDIs commence trading on a normal settlement basis on the ASX	20 June 2013

⁸ All dates and time are Perth, Western Australian time unless otherwise indicated and are indicative only. The actual timetable will depend on many factors outside the control of Avocet, including the Court approval process and the satisfaction or waiver of the conditions precedent to the completion of the Merger by each of Avocet and Lion One, including among other things, approval from the ASX, TSX-V and other regulatory authorities. Any changes to the above timetable will be announced to ASX and available on its website (www.asx.com.au).

1 Voting considerations

This section is a summary only and is not intended to address all of the relevant issues for Avocet Shareholders. Avocet Shareholders should read the Scheme Booklet in its entirety. This section should be read in conjunction with other sections of this Scheme Booklet.

In reading this section, you should note that your independent Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal for Avocet.

1.1 Why you should vote in favour of the Scheme

Set out below is a summary of why you should vote in favour of the Scheme (see **section 5.4** for more details).

Your Directors recommend the Scheme	Your independent Directors unanimously recommend that, in the absence of a Superior Proposal for Avocet, you vote in favour of the Scheme.
The value of the Scheme Consideration represents a substantial premium over the pre-announcement trading prices of Avocet Shares	<p>Based on the closing price of Lion One Shares on the TSX-V on 19 December 2012 (the last TSX-V trading day before the announcement of the Merger), the implied value of the Scheme Consideration was \$0.0721 per Avocet Share⁹ which represents:</p> <ul style="list-style-type: none">• a 28.73% premium to Avocet's closing price on the ASX on 20 December 2012; and• a 28.07% premium to Avocet's 60-day volume weighted average trading price on the ASX for the period ending 20 December 2012. <p>The implied value of the Scheme Consideration may increase or decrease prior to the Implementation Date based on movements in the Lion One Share price.</p>

⁹ Calculated based on an exchange rate of 1 AUD = 1.0367 CAD.

<p>You have the opportunity to receive Lion One Shares (in the form of CDIs) and participate in the future performance of a larger, TSX-V and ASX listed, more diversified company, through the Merged Group</p>	<p>The Merger of Avocet and Lion One will combine the assets, reserves, operations and people of two quality companies that should enable the Merged Group to grow and generate greater shareholder value than is currently available to Avocet and Lion One alone.</p> <p>Lion One is led by an experienced management team with a long track record of success in mineral exploration and mining ventures, and this strength will be a significant advantage in realising the Merged Group's future growth strategy.</p> <p>In addition to Avocet's existing assets you will be exposed to Lion One's Tuvatu Gold Project in Fiji, which lies in the highly mineralised Pacific Islands Arc which hosts many of the significant gold and copper projects in the world, including the 11 million ounce Vatukoula gold deposit located only 40km to the north. The Tuvatu Gold Project currently contains a high grade mineral resource of 652,000 ounces of gold¹⁰. Additionally, drilling and exploration conducted in 2012 identified significant extensions to existing zones of mineralisation. Consequently, there appear to be opportunities to increase the resources at the Tuvatu Gold Project.</p> <p>Importantly, Avocet sees the Merger as an opportunity for Shareholders to become involved in a company with, in comparison to Avocet, an advanced exploration and development profile. Lion One is currently conducting drilling and development work to expand the resource and advance the Tuvatu Gold Project towards production. Similar styles of orebodies (narrow, high grade gold deposits) in the region are amongst the lowest cost producers in the world.</p>
--	---

¹⁰ 652,000 ounces of gold consisting of 172,000 oz. Au Indicated and 480,000 oz. Au Inferred Mineral Resources respectively. The terms "Indicated and Inferred Mineral Resources" in this context have the meanings given to those terms by NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum.

<p>Avocet's assets will compliment a successful exploration company, by enhancing the Merged Group's suite of exploration assets</p>	<p>The Merged Group will benefit from an enhanced portfolio which already includes assets in Western Australia, South Australia, Queensland and Argentina.</p> <p>The Merger will provide an opportunity for Avocet Shareholders to participate in the benefits expected from the larger and more diversified Merged Group, while retaining exposure to Avocet's existing asset base.</p>
<p>The Merged Group will have a stronger balance sheet relative to Avocet alone</p>	<p>The Merged Group will have a materially stronger balance sheet with a pro forma cash position of approximately C\$18 million (versus C\$4 million for Avocet standalone) as at 31 December 2012 which the Merged Group intends to use to advance exploration of Lion One's Tuvatu Gold Project, explore Avocet's prospective exploration projects in Australia and Argentina, and seek and evaluate further mineral resource properties and growth opportunities. If Avocet were to remain a standalone entity they would be required to undertake significant further capital raising in order to fund their future development and exploration activities. There is no guarantee they would be able to raise such significant additional capital in the future.</p>
<p>The Merged Group will be managed by a capable and experienced board and management team with a proven track record</p>	<p>The Merger will result in the Merged Group being led by a capable and experienced board, and senior management that has a long and successful track record in creating, financing and growing junior and intermediate mining companies, and this strength will be a significant advantage in realising the value in Avocet's assets. The Merger will facilitate the better utilisation of the combined management expertise and the streamlining of decision making processes. Mr Stephen Mann, the current Managing Director of Avocet, will be the Managing Director of the Merged Group.</p>

<p>The Merger enhances the scale and growth platform of Avocet, including through greater access to global capital markets, and providing access to growth opportunities otherwise unavailable to Avocet today</p>	<p>The Merger will provide Avocet Shareholders with a strengthened strategic position and capability, resulting in a superior platform for growth that will enable the pursuit of business development opportunities not currently available to Avocet alone. In addition, the Merger is expected to provide Avocet with an increased exposure to Canadian, North American and European capital markets and investors through Lion One’s listing on foreign exchanges.</p>
<p>The Merger will create potential cost savings</p>	<p>The Merger will create potential cost savings for the Merged Group through the elimination of duplicate roles, and improved efficiencies by rationalising future decision making processes.</p>
<p>The Independent Expert, RSM Bird Cameron, has concluded that the Scheme is in your best interests</p>	<p>The Independent Expert has concluded that the Merger is in the best interests of Avocet Shareholders.</p>
<p>Avocet requires significant additional capital to develop its projects which could subject Avocet Shareholders to significant dilution were it to remain a standalone entity</p>	<p>Avocet’s long term planned expenditure, which includes extensive drilling and extensive surface exploration drilling on the Ashburton Project, and on the Sierra Cuadrada and Cerro Chacon Projects, contains significant capital requirements far in excess of Avocet’s current cash in hand.</p> <p>If the funding required for the planned expenditure were to be raised via the issue of new Avocet securities, current Avocet Shareholders would be subject to considerable dilution.</p> <p>Unless you were entitled to, and did, participate in the substantial equity raisings that would be required, your existing shareholding in Avocet would be significantly diluted.</p>
<p>If you are an Australian resident for taxation purposes and receive Lion One Shares (in the form of CDIs) you should generally be able to obtain CGT scrip-for-scrip roll-over relief on any capital gains</p>	<p>If you are an Australian resident for tax purposes and you would otherwise realise a capital gain on the disposal of your Avocet Shares in return for New Lion One Shares under the Scheme you should generally be able to obtain CGT scrip-for-scrip roll-over relief.</p> <p>Further details in relation to tax considerations can be found in section 10 of this Scheme Booklet.</p>

<p>Shareholders will not be required to pay any brokerage costs</p>	<p>Avocet Shareholders (other than Ineligible Foreign Shareholders and Electing Small Shareholders) will not be required to pay any brokerage or other costs in connection with the disposal of their Avocet Shares under the Scheme.</p> <p>Cash proceeds received by Ineligible Foreign Shareholders and Electing Small Shareholders will be received net of any applicable brokerage or other costs payable in connection with the disposal of the relevant New Lion One Shares.</p>
---	---

1.2 Why you might vote against the Scheme

Set out below is a summary of why you might vote against the Scheme (see **section 5.5** for more details).

<p>The Merged Group will be subject to a number of risks to which Avocet is not currently exposed</p>	<p>If the Scheme becomes Effective, Scheme Shareholders will be entitled to receive the Scheme Consideration, being Lion One Shares (in the form of CDIs)¹¹.</p> <p>The value of Lion One Shares and Lion One CDIs will be influenced by a range of factors, many of which will be beyond the control of the Merged Group.</p> <p>The Avocet business, which will form part of the Merged Group, faces many of these risks already and they are therefore risks to which you already have some exposure. However, a number of risks may be new and could be potentially greater in impact than is currently the case in relation to Avocet.</p> <p>Further details of these risks can be found in section 11 of this Scheme Booklet.</p>
<p>The investment profile for Avocet Shareholders will change</p>	<p>While Avocet and Lion One are both resource companies, the operational profile, capital structure, size and geography of the Merged Group will be different from that of Avocet on a standalone basis.</p>
<p>You will be exposed to differences between applicable corporate and securities laws</p>	<p>Avocet is incorporated in Australia and Lion One is incorporated in Canada. If the Scheme becomes Effective, Avocet Shareholders whose rights are currently governed by the laws of Australia and the constitution of Avocet, who receive the Scheme Consideration, will become holders of New Lion One Shares. The rights of holders of New Lion One Shares will be governed by Canadian law and Lion One's Memorandum and Articles of Association¹².</p> <p>Although some of the material differences between applicable laws as they relate to Avocet and Lion One respectively could be viewed as advantageous to Avocet Shareholders, others could be viewed as disadvantageous to Avocet Shareholders.</p> <p>Further details of the differences between applicable laws can be found in Annexure F.</p>

¹¹ Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

¹² Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

<p>A Superior Proposal for Avocet may materialise in the future if Avocet were to continue as an independent company</p>	<p>It is possible that a Superior Proposal for Avocet, which could be more attractive to Avocet Shareholders than the Merger, may materialise in the future. The implementation of the Merger would mean that Avocet Shareholders would not obtain the benefit of any such proposal.</p> <p>The Avocet Board is not currently aware of any such proposal and notes that since Avocet and Lion One announced the Merger, there has been a significant period of time and ample opportunity for an alternative proposal for Avocet, which provides a different outcome for Avocet Shareholders, to emerge.</p> <p>Avocet Shareholders in the Merged Group will still have an opportunity to realise fair value for their New Lion One Shares in the event of any post-Merger change of control and in particular any premium that may be payable.</p>
<p>You may prefer Avocet to be exposed to the opportunity for increased value by remaining as an independent company</p>	<p>You may believe that Avocet will deliver greater returns to Avocet Shareholders over the long term by remaining an independent company.</p> <p>In assessing and recommending the Scheme, your independent Directors evaluated the benefits and risks of Avocet continuing as an independent company against its other strategic alternatives.</p> <p>In deciding that they should recommend the Merger, your independent Directors determined that, on balance, the earlier and more certain value represented by the Merger was more favourable to Avocet Shareholders than the strategic options and risks that might otherwise be available to or faced by Avocet as an independent company.</p>
<p>The exact value of the Scheme Consideration on implementation of the Scheme is not certain</p>	<p>The exact value of the Scheme Consideration that would be realised by Scheme Shareholders upon implementation of the Scheme is not certain because it is dependent on the price at which Lion One Shares trade on or about that date.</p>
<p>Dilution of Avocet Shareholders' interest in Avocet's assets</p>	<p>Avocet Shareholders that hold New Lion One Shares after implementation of the Merger will have a diluted interest in the current Avocet portfolio and will share any future development and exploration upside in this asset portfolio with the existing shareholders of the Merged Group.</p> <p>Upon implementation of the Merger, the current Avocet Shareholders will hold approximately 18.5% of the fully diluted Merged Group (assuming no options are exercised by Lion One option holders).</p>

Exposure to movements in foreign exchange rates	Lion One Shares are denominated in Canadian dollars on the TSX-V. Accordingly, Shareholders who receive Lion One Shares (in the form of CDIs), and elect to convert the CDIs into Lion One Shares, will be exposed to movements in foreign exchange rates between Australian and Canadian currencies, the impact of which cannot be predicted reliably. Consequently, the Australian dollar value you receive or pay, for the future sale or acquisition of Lion One Shares respectively, may be adversely affected by foreign exchange rate movements.
---	---

2 Summary of the Merger

2.1 Introduction

Set out below is a summary of the key features of the Merger. This summary should be read in conjunction with the additional detailed information for Avocet Shareholders set out in this Scheme Booklet.

On 24 December 2012, Lion One and Avocet announced that they had entered into the Merger Implementation Agreement in relation to the Merger. Under the Merger, Lion One will acquire all of the Avocet Shares through a scheme of arrangement for consideration of 1 Lion One Share (in the form of a CDI) per 9.5 Avocet Shares.

If the Scheme is approved by Avocet Shareholders, the Scheme is approved by the Court, and if all other conditions to the Merger are satisfied or waived, all Avocet Shares will be transferred to Lion One, and Avocet will become a wholly owned subsidiary of Lion One and will be delisted from the ASX. Lion One will be admitted to the official list of the ASX and the Lion One CDIs will be approved for quotation on the ASX.

A copy of the Scheme is set out in **Annexure D** to this Scheme Booklet.

2.2 What you will receive

If the Scheme is implemented, Scheme Shareholders¹³ will receive the Scheme Consideration.

The Scheme Consideration comprises New Lion One Shares.

Each Scheme Shareholder (other than Ineligible Foreign Shareholders and Electing Small Shareholders) will receive 1 Lion One Share (in the form of a CDI) for every 9.5 Avocet Shares held by them at 5.00pm (WST) on the Record Date.

Ineligible Foreign Shareholders

Ineligible Foreign Shareholders will not be entitled to receive New Lion One Shares in connection with the Scheme. If you fall into this category, any New Lion One Shares to which you would otherwise be entitled will be issued to the Sale Agent who will sell them on your behalf and provide you with the net proceeds of the sale. Refer to **section 6.4** for further information.

Small Shareholders

If you are a Scheme Shareholder who will be entitled to receive 500 or less New Lion One Shares under the Scheme, you will be classified a Small Shareholder. If you are a Small Shareholder you may elect to have all the New Lion One Shares you would be entitled to under the Scheme issued to the Sale Agent who will sell them on your behalf and provide you with the net proceeds of the sale (**Electing Small Shareholder**). Refer to **section 6.5** for further information.

Fractional Entitlements

If, pursuant to the calculation of your Scheme Consideration, you would be entitled to a fraction of a New Lion One Share, then, any such fractional entitlement:

¹³ Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

- (a) if to less than 0.5 of a New Lion One Share, will be rounded down to the nearest whole number of New Lion One Shares; and
- (b) if to 0.5 or more of a New Lion One Share, will be rounded up to the nearest whole number of New Lion One Shares,

provided that if a Scheme Shareholder holds less than 9.5 Avocet Shares on the Record Date, Lion One will issue that Scheme Shareholder one New Lion One Share.

2.3 Directors' recommendations

In the absence of a Superior Proposal for Avocet, the independent Directors unanimously recommend that Avocet Shareholders vote in favour of the Scheme.

Mr Stephen Mann has not made a recommendation in relation to the Merger due to his position as a director of Lion One.

The Directors advise that they intend to vote all Avocet Shares held by them in favour of the Scheme.

In making their recommendation and determining how to vote on the Scheme, the Directors have considered:

- the advantages and disadvantages of the Scheme, as summarised in **sections 1.1 and 1.2**;
- the implications of the Scheme (and Merger) not being approved, as detailed in **section 5.6**;
- the opinion of the Independent Expert contained in the Independent Expert's Report set out in **Annexure A**, that the Merger is in the best interests of Avocet Shareholders; and
- the alternative options to the Scheme that are available to Avocet.

2.4 Independent Expert

Avocet has commissioned an Independent Expert, RSM Bird Cameron, to prepare a report to ascertain whether the Merger is in the best interests of Avocet Shareholders.

The Independent Expert has concluded that the Scheme is in the best interests of Avocet Shareholders.

The Independent Expert's Report is set out in **Annexure A** to this Scheme Booklet.

2.5 An introduction to Lion One

Lion One is a Canadian mineral exploration and development company currently focused on the acquisition, exploration and development of prospective mineral resource properties in Fiji and abroad. Lion One's primary asset is the development-stage Tuvatu Gold Project situated in the Sabeto Valley, along Fiji's corridor of mineralised volcanic centres, approximately 50km southeast of the Vatukoula gold deposit. Lion One trades on the TSX-V under the symbol "LIO".

2.6 Implementation, timetable and procedures

If the Scheme is approved by Avocet Shareholders, the Scheme is approved by the Court, and all other conditions to the Merger are satisfied or (where applicable) waived, it is expected that the Scheme will be fully implemented on 19 June 2013. The key dates and times in relation to the Scheme are set out at the beginning of this Scheme Booklet.

2.7 Conditions to the Scheme

Implementation of the Merger is subject to the following remaining conditions precedent:

- any regulatory authority approvals necessary (including from the ASX, ASIC or TSX-V) to implement the Scheme being obtained;
- the Independent Expert does not change its conclusion, that the Scheme is in the best interests of Avocet Shareholders, or withdraw its report before the Second Court Date;
- no Avocet Material Adverse Change occurring before the Second Court Date;
- no Avocet Prescribed Event occurring before the Second Court Date;
- no Lion One Material Adverse Change occurring before the Second Court Date;
- no Lion One Prescribed Event occurring before the Second Court Date;
- the Avocet Board does not change or withdraw its recommendation to vote in favour of the Scheme and all resolutions (if any) incidental to the Scheme, before the Scheme Meeting;
- approval of the Scheme by the Requisite Majority of Avocet Shareholders in accordance with the Corporations Act;
- Court Approval of the Scheme in accordance with the Corporations Act;
- all Third Party Consents are granted or obtained in respect of Implementation and those consents, agreements, waivers, licences or approvals are not withdrawn, cancelled or revoked;
- ASX granting all regulatory approvals reasonably necessary for admission of Lion One to the official list of ASX, and the approval of official quotation of the Lion One CDIs to be issued pursuant to the Scheme;
- no court order or other legal restraint being issued that prohibits or prevents the Merger occurring before the Second Court Date;
- no action taken, or order or decree made by, a Government Agency which prohibits or prevents the Merger occurring before the Second Court Date;
- the representations and warranties made by Avocet in the Merger Implementation Agreement being true and correct, as at the Second Court Date; and
- the representations and warranties made by Lion One in the Merger Implementation Agreement being true and correct, as at the Second Court Date.

Further details about the conditions to the Scheme are set out in **sections 12.2** and **12.3** of this Scheme Booklet.

2.8 Scheme Meeting

The Scheme Meeting to approve the Scheme is currently scheduled to be held on 27 May 2013 at 10am (WST). Voting eligibility for the Scheme Meeting will be determined as at 5.00pm on the Voting Record Date (currently expected to be 25 May 2013).

Further details of the Scheme Meeting, including how to vote, are contained in **section 4**. The notice of Scheme Meeting is contained in **Annexure G** of this Scheme Booklet.

2.9 Voting thresholds

Avocet Shareholder approval of the Scheme

The Scheme must be approved by:

- unless the Court orders otherwise, a majority in number (more than 50%) of the members of Avocet present and voting at the Scheme Meeting (in person or by proxy, corporate representative or attorney); and
- at least 75% of the total number of votes which are cast at the Scheme Meeting.

2.10 Court Approval

If the Scheme is approved at the Scheme Meeting, and all other conditions of the Scheme have been satisfied or waived, the Court will be asked to approve the Scheme on the Second Court Date. The Second Court Date is expected to be on or around 31 May 2013.

2.11 Tax implications

The transfer of your Avocet Shares, in accordance with the Scheme, may have tax implications for you. You should seek your own professional advice regarding your individual tax consequences. A summary of relevant Australian tax implications for Scheme Shareholders is contained in **section 10** of this Scheme Booklet.

2.12 What to do next

Read the remainder of this Scheme Booklet

Read the remainder of this Scheme Booklet in full before making any decision on the Scheme.

Consider your options

Avocet Shareholders should refer to **section 5** of this Scheme Booklet for further guidance on the expected advantages and consequences of the Scheme and **section 11** for guidance on the risk factors associated with the Scheme.

If you have any questions in relation to the Merger, Scheme or the Scheme Meeting, please contact the Avocet Shareholder Communication Line on 1300 685 174 (toll free within Australia) or +61 8 2 8022 7902 (outside Australia) or consult your legal, investment, taxation or other professional adviser.

Vote at the Scheme Meeting

Your Directors urge you to vote on the Scheme at the Scheme Meeting. The Scheme affects your shareholding, and your vote at the Scheme Meeting is important in determining whether the Scheme proceeds.

Your independent Directors unanimously recommend that, in the absence of a Superior Proposal for Avocet, you vote in favour of the Scheme.

3 Frequently Asked Questions

This Scheme Booklet contains detailed information on the proposed Merger. The following table sets out summary answers to some basic questions you may have in relation to the Merger. This information is a summary only and should be read in conjunction with the remainder of this Scheme Booklet.

Questions	Answers
General Questions	
What are Avocet Shareholders being asked to consider?	<p>On 24 December 2012, Avocet and Lion One announced that they had entered into the Merger Implementation Agreement in relation to a proposal to merge their businesses. The Merger will be implemented by way of a scheme of arrangement.</p> <p>If the Merger is implemented, Avocet will become a wholly owned subsidiary of Lion One, and Avocet will be delisted from ASX (although Lion One will maintain its TSX-V listing). Lion One will be admitted to the official list of the ASX and the Lion One CDIs will be approved for quotation on the ASX. The Merged Group will initially be owned approximately 18.5% and 81.5% by current Avocet Shareholders and Lion One Shareholders (respectively¹⁴).</p> <p>Avocet Shareholders are being asked to consider this Merger proposal and vote on it at the Scheme Meeting.</p>
What is the Scheme Consideration?	<p>If the Merger proceeds, you will receive the Scheme Consideration, being 1 Lion One Share (in the form of a CDI) for every 9.5 Avocet Shares you hold at the Record Date¹⁵.</p> <p>Ineligible Foreign Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.</p> <p>Small Shareholders (being Scheme Shareholders who would be entitled to receive 500 or less New Lion One Shares under the Scheme) may elect to have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.</p>
What is a CDI?	<p>A CDI, or CHESS Depository Interest, is the instrument through which Lion One Shares will trade on the ASX if the Merger is implemented. Each Lion One CDI will represent a beneficial interest in one Lion One Share. See the question "What is the difference between a Lion One CDI and a Lion One Share?" and section 6.3 for more information on the differences between Lion One CDIs and Lion One Shares.</p>

¹⁴ See **section 9.6**.

¹⁵ Rounded up or down to the nearest whole number based on the method outlined in **section 6.2**.

Questions	Answers
<p>What is the difference between a Lion One CDI and a Lion One Share?</p>	<p>A CDI is an instrument through which shares of foreign companies can be traded on the ASX. Each Lion One CDI will represent a beneficial interest in one Lion One Share and will have rights that are economically equivalent to the rights attached to a Lion One Share. Lion One CDIs will be quoted and traded on ASX in Australian dollars – they will not be quoted and traded on the TSX-V.</p> <p>Lion One Shares are fully paid ordinary shares in the capital of Lion One ranking equally in all respects with all other Lion One Shares on issue. Lion One Shares will be listed and traded on TSX-V in Canadian dollars – they will not be quoted and traded on the ASX.</p> <p>A holder of Lion One CDIs will not be a registered Lion One shareholder. Instead, Lion One Shares represented by Lion One CDIs will be held by CDN, a subsidiary of ASX. A Lion One CDI holder can direct CDN to vote, in accordance with the CDI holder's directions, the Lion One Shares represented by its Lion One CDIs (or appoint the CDI holder or another person to do so).</p> <p>Lion One CDIs will be able to be exchanged for Lion One Shares at any time and vice versa.</p>
<p>When can I start trading my Lion One CDIs?</p>	<p>Deferred settlement trading of the Lion One CDIs issued as Scheme Consideration is expected to be available on the ASX from the Business Day following the Effective Date (which is currently expected to be 4 June 2013).</p> <p>Trading on ASX of Lion One CDIs is expected to commence on a normal settlement basis on 20 June 2013.</p>
<p>Is a Superior Proposal for Avocet likely? What happens if a Superior Proposal for Avocet emerges?</p>	<p>Until the Scheme is approved by the Requisite Majority of Avocet Shareholders, there is nothing preventing other parties from making unsolicited acquisition proposals for Avocet.</p> <p>Your Directors may consider an unsolicited proposal that is, or is likely to result in, a Superior Proposal for Avocet, but they and Avocet may not solicit competing proposals. If a Superior Proposal for Avocet emerges prior to the Scheme Meeting your Directors will carefully consider the proposal and will inform you of any material developments¹⁶.</p>
<p>What are the tax implications of the Merger proposal?</p>	<p>In relation to the Scheme Consideration, CGT rollover relief is likely to be available to Australian resident Avocet Shareholders.</p> <p>Section 10 of this Scheme Booklet provides further details in relation to tax considerations of the Merger.</p>

¹⁶ Lion One has the right, but not the obligation, to match any Superior Proposal for Avocet by providing a more favourable counter proposal.

Questions	Answers
Can I attend the Court and oppose the Court approval of the Scheme?	If you wish to oppose approval by the Court of the Scheme at the Court hearing you may do so by filing with the Court, and serving on Avocet, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Avocet at least one day before the Second Court Date.
Can I sell my Avocet Shares now?	You can offer to sell your Avocet Shares on market at any time before the close of trading on the ASX on the Effective Date at the prevailing market price, however you will not receive the Scheme Consideration. The Effective Date is expected to be on or about 4 June 2013.
What are my options?	<p>You may:</p> <ul style="list-style-type: none"> • vote in favour of the Scheme at the Scheme Meeting; • vote against the Scheme at the Scheme Meeting; • sell your Avocet Shares on ASX before the Effective Date; or • do nothing.
Transaction Structure and Details	
What is a scheme of arrangement (the Scheme)?	<p>A scheme of arrangement is a legal arrangement between a company and its shareholders, and involves a company putting forward a proposal to its shareholders for them to consider and, if thought fit, approve. Before a scheme of arrangement can come into effect, it must be approved by the shareholders at a meeting (usually referred to as a scheme meeting), by:</p> <ul style="list-style-type: none"> • unless the Court orders otherwise, a majority in number (more than 50%) of the shareholders present and voting at the scheme meeting (either in person or by proxy, corporate representative or attorney); and • at least 75% of the total number of votes cast on the resolution at the scheme meeting by shareholders entitled to vote on the resolution, <p>and it must also be approved by the Court after that meeting. Once a scheme of arrangement is approved by shareholders and the Court, it binds all shareholders to the proposal (including those who may have voted against it or may not have voted at all).</p> <p>The terms of the Scheme are set out in full in Annexure D to this Scheme Booklet.</p>
Why has the transaction been structured as an Avocet scheme of arrangement?	Both the Lion One and Avocet Boards consider that the Merger is in the best interests of their respective shareholders, in the absence of a Superior Proposal. The transaction structure that has been adopted is believed to be the most efficient structure to implement the Merger and reflects the friendly nature of the Merger.

Questions	Answers
<p>What will be the effect of the Merger?</p>	<ul style="list-style-type: none"> • You will transfer all of your Avocet Shares to Lion One. • In exchange for the transfer of your Avocet Shares to Lion One, you will receive 1 Lion One Share (in the form of a CDI) for every 9.5 Avocet Shares you hold¹⁷. The Lion One Shares (in the form of CDIs) which are received by Scheme Shareholders will be tradeable on the ASX. • Avocet will become a wholly owned subsidiary of Lion One and will be delisted from ASX. • Lion One will be admitted to the official list of the ASX and the Lion One CDIs will be approved for quotation on the ASX.
<p>How will the Merger be implemented?</p>	<p>If the Scheme becomes Effective, no further action is required on the part of the Scheme Shareholders in order to implement the Scheme. Under the Scheme, Avocet is given authority to transfer all of the Avocet Shares to Lion One, and Lion One will transfer the Scheme Consideration to the Scheme Shareholders¹⁸.</p>
<p>What are some of the key outstanding conditions that need to be satisfied before the Merger can proceed?</p>	<p>The outstanding conditions that need to be satisfied before the Merger can proceed include:</p> <ul style="list-style-type: none"> • any regulatory authority approvals necessary (including from the ASX, ASIC or TSX-V) to implement the Scheme being obtained; • the Independent Expert does not change its conclusion, that the Scheme is in the best interests of Avocet Shareholders, or withdraw its report before the Second Court Date; • no Avocet Material Adverse Change occurring before the Second Court Date; • no Avocet Prescribed Event occurring before the Second Court Date; • no Lion One Material Adverse Change occurring before the Second Court Date; • no Lion One Prescribed Event occurring before the Second Court Date; • the Avocet Board does not change or withdraw its recommendation to vote in favour of the Scheme and all resolutions (if any) incidental to the Scheme, before the Scheme Meeting; • approval of the Scheme by the Requisite Majority of Avocet Shareholders in accordance with the Corporations Act; • Court Approval of the Scheme in accordance with the

¹⁷ Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

¹⁸ Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

Questions	Answers
	<p>Corporations Act;</p> <ul style="list-style-type: none"> • all Third Party Consents are granted or obtained in respect of Implementation and those consents, agreements, waivers, licences or approvals are not withdrawn, cancelled or revoked; • ASX granting all regulatory approvals reasonably necessary for admission of Lion One to the official list of ASX, and the approval of official quotation of the Lion One CDIs to be issued pursuant to the Scheme; • no court order or other legal restraint being issued that prohibits or prevents the Merger occurring before the Second Court Date; • no action taken, or order or decree made by, a Government Agency which prohibits or prevents the Merger occurring before the Second Court Date; • the representations and warranties made by Avocet in the Merger Implementation Agreement being true and correct, as at the Second Court Date; and • the representations and warranties made by Lion One in the Merger Implementation Agreement being true and correct, as at the Second Court Date. <p>Each of these key conditions is discussed in section 12.2 of this Scheme Booklet and a summary of all of the conditions is set out in the Summary of the Merger Implementation Agreement in Annexure C to this Scheme Booklet.</p>

Questions	Answers
<p>Why should I vote in favour of the Scheme?</p>	<ul style="list-style-type: none"> • Your Directors recommend the Scheme. • The value of the Scheme Consideration represents a substantial premium over the pre-announcement trading prices of Avocet Shares. • You have the opportunity to receive Lion One Shares (in the form of CDIs) and participate in the future performance of a larger, TSX-V and ASX listed company, through the Merged Group. • Avocet’s assets will compliment a successful exploration company, by enhancing the Merged Group’s suite of development and exploration assets. • The Merged Group will have a stronger balance sheet relative to Avocet alone. • The Merged Group will be managed by a capable and experienced board and management team with a proven track record. • The Merger enhances the scale and growth platform of Avocet, including through greater access to global capital markets, and providing access to growth opportunities otherwise unavailable to Avocet today. • The Merger will create potential cost savings. • The Independent Expert, RSM Bird Cameron, has concluded that the Scheme is in your best interests. • Avocet requires significant additional capital to develop its projects which could subject Avocet Shareholders to significant dilution were it to remain a standalone entity. • If you are an Australian resident for taxation purposes and receive Lion One Shares (in the form of CDIs) you should generally be able to obtain CGT scrip-for-scrip roll-over relief on any capital gains. • Shareholders will not be required to pay any brokerage costs¹⁹. <p>See sections 1.1 and 5.4 for further details.</p>

¹⁹ Cash proceeds received by Ineligible Foreign Shareholders and Electing Small Shareholders will be received net of any applicable brokerage or other costs payable in connection with the sale of the relevant New Lion One Shares by the Sale Agent.

Questions	Answers
<p>Why might I vote against the Scheme?</p>	<ul style="list-style-type: none"> • The Merged Group will be subject to a number of risks to which Avocet is not currently exposed. • The investment profile for Avocet Shareholders will change. • You will be exposed to differences between applicable corporate and securities laws. • A Superior Proposal for Avocet may materialise in the future if Avocet were to continue as an independent company and the risks associated by remaining an independent company. • You may prefer Avocet to be exposed to the opportunity for increased value by remaining as an independent company. • The exact value of the Scheme Consideration on implementation of the Scheme is not certain. • Avocet Shareholders' interest in Avocet's assets will be diluted. • You may be adversely affected by movements in foreign exchange rates. <p>See sections 1.2 and 5.5 for further details.</p>
<p>Under what circumstances can Avocet or Lion One terminate the Merger?</p>	<p>The Merger Implementation Agreement provides for various situations where either Avocet or Lion One may terminate the Merger. These include termination rights arising if:</p> <ul style="list-style-type: none"> • a condition precedent has not been satisfied or waived in accordance with the Merger Implementation Agreement. If one party does not have the right to waive a condition precedent then that party may not terminate the Merger Implementation Agreement; • the Scheme is not Effective by 30 June 2013 (unless such date is extended by agreement between the parties); or • the other party is in material breach of a term of the Merger Implementation Agreement, provided that it has given written notice stating its intention to terminate and the relevant circumstances continue to exist for 5 Business Days (or any shorter period ending on the Second Court Date) after notice is given. <p>Under some circumstances, the exercise of termination rights will trigger an obligation by Avocet or Lion One to pay a break fee (plus GST, if applicable) to the other of \$150,000. See section 12.5 for further details.</p> <p>At the date of this booklet, neither Avocet nor Lion One is aware of any actual circumstances which gives either of them a right of termination.</p>

Questions	Answers
Is there an independent expert's opinion?	<p>Avocet has commissioned an Independent Expert, RSM Bird Cameron, to prepare a report to ascertain whether the Merger is in the best interests of Avocet Shareholders.</p> <p>The Independent Expert has concluded that the Scheme is in the best interests of Avocet Shareholders.</p> <p>The Independent Expert's Report is set out in Annexure A to this Scheme Booklet. You should read it as part of your consideration of the Scheme.</p>
What happens if the market price of Lion One Shares increases or decreases?	<p>The number of New Lion One CDIs issued to you²⁰ will not change as a result of any movement in the market price of Lion One Shares.</p> <p>The implied value of the Scheme Consideration may increase or decrease prior to the Implementation Date based on movements in the Lion One Share price.</p>
How will fractional entitlements to New Lion One Shares be treated?	<p>If, pursuant to the calculation of your Scheme Consideration, you would be entitled to a fraction of a New Lion One Share, then, any such fractional entitlement:</p> <p>(a) if to less than 0.5 of a New Lion One Share, will be rounded down to the nearest whole number of New Lion One Shares; and</p> <p>(b) if to 0.5 or more of a New Lion One Share, will be rounded up to the nearest whole number of New Lion One Shares,</p> <p>provided that if a Scheme Shareholder holds less than 9.5 Avocet Shares on the Record Date, Lion One will issue that Scheme Shareholder one New Lion One CDI.</p>
When will I be issued the Scheme Consideration?	<p>If the Scheme is implemented, Lion One expects to issue your New Lion One Shares (in the form of CDIs) to you (unless you are an Ineligible Foreign Shareholder or Electing Small Shareholder) on the Implementation Date. Holding statements for the New Lion One Shares will be sent to you within 5 Business Days after the Implementation Date which is expected to be on 19 June 2013.</p> <p>Ineligible Foreign Shareholders and Small Shareholders should refer to section 6.4 and 6.5 of this Scheme Booklet for further details.</p> <p>You should be aware that if the Scheme Meeting is adjourned or the Effective Date is otherwise delayed, the timing of the Scheme Consideration will also be delayed.</p>

²⁰ Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

Questions	Answers
Will I have to pay brokerage fees or stamp duty on the disposal of my Avocet Shares?	<p>Scheme Shareholders will not be required to pay brokerage or stamp duty on the transfer of their Avocet Shares under the Scheme.</p> <p>Brokerage fees, currency conversion (if applicable) and other selling costs, taxes and charges will, however, be incurred by Ineligible Foreign Shareholders and Electing Small Shareholders whose attributable New Lion One Shares are issued to, and sold by, the Sale Agent and the cash proceeds of the sale remitted to them.</p>
What is the timetable of the transaction?	<p>The Scheme Meeting is currently scheduled to be held on 27 May 2013 at 10am (WST). If Avocet Shareholders approve the Scheme, and Court approval is obtained, the Merger is expected to be implemented on 19 June 2013. This is based on the current scheduled timetable of key dates as set out on page 1, which is subject to possible change.</p>
Voting	
Who gets to vote at the Scheme Meeting?	<p>Avocet Shareholders who are registered on the Avocet's Share Register at 5.00pm (WST) on 25 May 2013 may vote at the Scheme Meeting. This is based on the current scheduled timetable, as set out on page 1, which is subject to possible change.</p>
Is voting compulsory?	<p>No, voting is not compulsory. However, your vote is important. If you cannot attend the Scheme Meeting scheduled to be held on 27 May 2013 you should complete and return the proxy form enclosed with this Scheme Booklet.</p> <p>For further details regarding voting and submitting proxy forms for the Scheme Meeting, see section 4.</p>
Why should I vote?	<p>Your vote will be important in determining whether the Merger will proceed.</p> <p>Your independent Directors unanimously recommend that, in the absence of a Superior Proposal for Avocet, you vote in favour of the Scheme. The Directors who hold Avocet Shares intend to vote in favour of the Scheme in respect of all of their Avocet Shares, in the absence of a Superior Proposal for Avocet.</p>
What happens if I do not vote?	<p>If the Scheme is approved, your Avocet Shares will be transferred to Lion One in consideration for Lion One issuing to you the Scheme Consideration for your Avocet Shares²¹.</p> <p>If the Scheme is not approved, Avocet will remain an independent company and you will remain an Avocet Shareholder.</p>

²¹ Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

Questions	Answers
If I wish to support the Merger, what should I do?	<p>Your independent Directors unanimously recommend that, in the absence of a Superior Proposal for Avocet, you vote in favour of the Scheme at the Scheme Meeting. If you are unable to attend the Scheme Meeting you may vote by proxy, corporate representative or attorney.</p> <p>See sections 4.4 and 4.5 of the Scheme Booklet for directions on how to vote and important voting information generally.</p>
If I wish to oppose the Merger, what should I do?	<p>If, despite your independent Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Merger, you should vote against the Scheme at the Scheme Meeting. You may also oppose approval by the Court of the Scheme at the Court hearing.</p> <p>See sections 4.4 and 4.5 of the Scheme Booklet for directions on how to vote and important voting information generally and section 4.2 for information about the Court approval of the Scheme.</p>
What happens if I vote against the Scheme, but it is still approved?	<p>If the Scheme is approved by the Requisite Majority of Avocet Shareholders, Court approval is obtained and all other conditions to the Merger are satisfied or waived (as applicable), your Avocet Shares will be transferred to Lion One in consideration for Lion One issuing to you the Scheme Consideration for your Avocet Shares²².</p>

²² Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

Questions	Answers
<p>What happens if the Scheme is not implemented?</p>	<p>If the Scheme is not approved by the Requisite Majority of Avocet Shareholders, the Scheme will not be implemented.</p> <p>If any of the conditions to the Merger are not satisfied or waived, (including if the Scheme is not approved by the Requisite Majority of Avocet Shareholders or Court approval is not obtained), the Merger Implementation Agreement may be terminated and the Merger will not be implemented.</p> <p>The consequences of the Scheme not being implemented include:</p> <ul style="list-style-type: none"> • you will retain your Avocet Shares, will not receive any New Lion One Shares, and will continue to be exposed to the risks associated with your investment in Avocet Shares; • the existing Avocet Board and management will continue to operate Avocet’s business; • the expected benefits of the Merger (as set out in sections 1.1 and 5.4) will not be realised; • if the Scheme is not implemented, and no alternative proposal emerges, the Avocet Share price may fall; • Avocet will have incurred significant costs and management time and resources for no outcome; and • Avocet may be liable to pay the Avocet Break Fee Amount to Lion One (see section 12.5).
<p>When will the results of the Scheme Meeting be available?</p>	<p>The results of the Scheme Meeting will be available shortly after the conclusion of the meeting and will be promptly announced to ASX. The results will also be available on Avocet’s website (www.avocetresources.com.au) and under Avocet’s profile on ASX (www.asx.com.au) shortly after the Scheme Meeting.</p>
<p>What is the Directors’ recommendation?</p>	<p>Your independent Directors have carefully considered the advantages and disadvantages of the Merger and unanimously recommend that, in the absence of a Superior Proposal for Avocet, you vote in favour of the Scheme.</p> <p>Mr Stephen Mann has not made a recommendation in relation to the Merger due to his position as a director of Lion One.</p>
<p>How do the Directors intend to vote in respect of their own Avocet Shares?</p>	<p>In the absence of a Superior Proposal for Avocet, each Director intends to vote in favour of the Scheme, in respect of all the Avocet Shares they hold.</p> <p>Your Directors collectively control the voting rights attaching to approximately 3.6% of the total number of Avocet Shares on issue.</p>

Questions	Answers
<p>What if I am a foreign shareholder?</p>	<p>If you are an Avocet Shareholder whose address on the Share Register at the Record Date is in a jurisdiction other than Australia or its external territories, Canada, New Zealand, Singapore or the United Kingdom, you may not be able to be issued New Lion One Shares as Scheme Consideration due to your local securities laws (Ineligible Foreign Shareholder).</p> <p>If you are an Ineligible Foreign Shareholder you will not receive New Lion One Shares under the Scheme. Instead, the number of New Lion One Shares that would otherwise have been issued to you under the Scheme will be issued to the Sale Agent, as your nominee in trust, who will sell those New Lion One Shares on the TSX-V following the implementation of the Scheme. Lion One will then pay you the sale proceeds, net of any brokerage, taxes and charges.</p> <p>Avocet, Lion One and the Sale Agent give no assurance as to the price that will be achieved for New Lion One Shares sold for Ineligible Foreign Shareholders by the Sale Agent.</p> <p>See section 6.4 for further details.</p>
<p>What if I am a Small Shareholder?</p>	<p>If you will be entitled to receive 500 or less New Lion One Shares under the Scheme, you are classified as a Small Shareholder.</p> <p>If you are a Small Shareholder, you may, using the Small Shareholder Cash Election Form included with this Scheme Booklet, elect to have all the New Lion One Shares you would receive under the Scheme allotted to the Sale Agent who will sell those New Lion One Shares on the TSX-V and pay you the sale proceeds, net of any brokerage, taxes and charges.</p> <p>See section 6.5 for further details.</p>
<p>When and where will the Scheme Meeting be held?</p>	<p>The Scheme Meeting to approve the Scheme is scheduled to be held at 10am (WST) on 27 May 2013. Voting eligibility for the Scheme Meeting will be determined as at 5.00pm on 25 May 2013.</p> <p>Further details of the Scheme Meeting, including how to vote, are contained in section 4 of this Scheme Booklet. The notice of Scheme Meeting is contained in Annexure G of this Scheme Booklet.</p>
<p>Do I have to complete the proxy form enclosed with this Scheme Booklet?</p>	<p>You only need to complete the proxy form if you wish to vote by proxy at the Scheme Meeting. You do not need to complete the proxy form if you intend to vote in person, by corporate representative or attorney at the Scheme Meeting.</p>

Questions about Lion One	
Who is Lion One?	Lion One is a Canadian mineral exploration and development company currently focused on the acquisition, exploration and development of prospective mineral resource properties in Fiji and abroad. Lion One's primary asset is the development-stage Tuvatu Gold Project situated in the Sabeto Valley, along Fiji's corridor of mineralised volcanic centres, approximately 50km southeast of the Vatukoula gold deposit. Lion One trades on the TSX-V under the symbol "LIO".
Why does Lion One wish to implement the Merger?	<p>The Directors of Lion One recognise an opportunity to build critical mass in terms of additional resource properties, greater operational and managerial expertise, and gain exposure to a wider range of commodities in a number of different countries.</p> <p>The Merged Group will have greater financial resources, a stronger balance sheet, and a better capital structure. The Merged Group will also greatly benefit from a presence in Australia. First, closer proximity to the Fijian projects will enhance Lion One's ability to manage the development of its key gold asset at Tuvatu near Nadi. Second, the Merged Group will be better positioned to contemplate opportunities in Australasia and around the world that may not have previously been possible. Third, the Merged Group will have enhanced access to capital markets through market listings in Canada, USA, and Europe, in addition to Australia.</p>
The Merged Group	
What are the intentions in relation to the Merged Group if the Merger proceeds?	If the Merger proceeds, the Merged Group will utilise the unified and experienced management team in conjunction with the strengthened balance sheet to seek to create Shareholder value through the accelerated development of the Merged Group's assets.
How does the Merged Group intend to use its strengthened financial position?	The strengthened financial position should enable the accelerated development of the Merged Group's assets and enhance the availability of future debt or equity financing for the Merged Group. The strengthened financial position should also enhance the profile of the Merged Group which will also lead to greater broker focus and analyst coverage.

<p>What are the risks for me if the Merger is implemented?</p>	<p>If the Scheme becomes Effective, you will be entitled to receive the Scheme Consideration, being Lion One Shares (in the form of CDIs)²³.</p> <p>The value of Lion One Shares and Lion One CDIs will be influenced by a range of factors, many of which will be beyond the control of the Merged Group. These risk factors include general risks associated with:</p> <ul style="list-style-type: none"> • financial matters; • business and operations; • acquisitions; • Lion One Shares; and • the Merged Group. <p>Exploration and mining companies are generally exposed to many of these risks. The Avocet business which will form part of the Merged Group faces many of these risks already and are therefore risks to which you already have some exposure. However, a number of risks will be new and could be potentially greater in impact than is currently the case in relation to Avocet. Your Directors draw your attention to the summary of risks associated with the Merged Group contained in section 11 of this Scheme Booklet.</p>
Management and Employees	
<p>Where will the Merged Group's operations be managed from following the implementation of the Merger?</p>	<p>The Merged Group's registered office will be Lion One's current address in North Vancouver, Canada. However, the Merged Group will maintain an office in Perth, Western Australia to assist in the management of the Avocet projects.</p> <p>Mr Stephen Mann, Avocet's Managing Director, will be the Managing Director of the Merged Group and will be based in Perth.</p>
<p>Do you expect any redundancies as a result of the Merger?</p>	<p>It is possible that the Merger may result in the positions of some Avocet and/or Lion One employees becoming redundant. Employment decisions will, however, be made in the context of the expected continuing growth of the Merged Group, and Lion One believes significant redundancies are unlikely, if at all.</p>
<p>Who will be Chairman of the Merged Group?</p>	<p>Mr Walter Berukoff, who is the current Chairman of Lion One.</p>
<p>Who will be the Managing Director of the Merged Group?</p>	<p>Mr Stephen Mann, who is the current Managing Director of Avocet.</p>

²³ Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

Who will be on the Merged Group's board?	<p>The Merged Group's board will comprise of the current Lion One Board. Accordingly, the Merged Group's board will include:</p> <ul style="list-style-type: none"> • Mr Walter Berukoff (Chairman); • Mr George Young; • Mr Richard Meli; • Mr David Duval; • Mr Stephen Mann; and • Mr Hamish Greig.
Further Information	
What other information is available?	<p>You should read the detailed information in relation to the Merger provided in this Scheme Booklet.</p> <p>Avocet announced its latest ASX Quarterly Report for the December 2012 quarter on 31 January 2013, and the latest ASX Half Year Report for the six months ended 31 December 2012 on 14 March 2013.</p> <p>Lion One announced its latest financial report and management discussion and analysis for the three and six month period ended 31 December 2012 quarter on 1 March 2013.</p> <p>Avocet's reports will be available from the ASX on its website (www.asx.com.au).</p> <p>In addition, Lion One's results including the financial statements are available on Lion One's website (http://www.liononemetals.com) and under Lion One's profile on SEDAR (www.sedar.com).</p>
Who can help answer my questions about the Merger?	<p>If you have any questions in relation to the Merger, Scheme or the Scheme Meeting, please contact the Avocet Shareholder Communication Line on 1300 685 174 (toll free within Australia) or +61 2 8022 7902 (outside Australia) or otherwise consult your legal, investment, taxation or other professional adviser.</p>

4 Meeting and voting information

This section contains information relating to voting entitlements and how to vote.

4.1 Scheme Meeting

The Scheme Meeting to approve the Scheme is scheduled to be held at 10am (WST) on 27 May 2013.

For the Scheme to proceed, it must (among other things) be approved by a majority in number of Avocet Shareholders present and voting at the Scheme Meeting (in person or by proxy, corporate representative or attorney), and by at least 75% of the total number of votes which are cast at the Scheme Meeting (unless the Court has ordered otherwise).

The Court has a discretion under section 411(4)(a)(ii)(A) of the Corporations Act to approve the Scheme if it is approved by at least 75% of the votes cast on the resolution, but not by a majority in number of Avocet Shareholders present and voting at the meeting.

The notice convening the Scheme Meeting is contained in **Annexure G** to this Scheme Booklet. A personalised proxy form is enclosed with this Scheme Booklet.

4.2 Court and ASIC approval

The date on which the Court hears Avocet's application is the Second Court Date. The Second Court Date is expected to be on 31 May 2013 and the hearing is open to everyone to whom Lion One securities may be issued pursuant to the Scheme, including all Avocet Shareholders. The Court will hold a hearing to consider things such as whether procedural requirements have been satisfied, whether Avocet Shareholders have received adequate information and whether the terms and conditions of the exchange of securities under the Scheme are fair and reasonable to the persons receiving securities under the Scheme. Under applicable law, the Court must make this determination before approving the Scheme.

The Court may refuse to grant the orders referred to above even if the Scheme is approved by the Requisite Majority of Avocet Shareholders.

If the Scheme is not approved by Avocet Shareholders, the Scheme will not proceed and Avocet will not apply to the Court for any orders in connection with the Scheme.

ASIC will be asked to issue a written statement that it has no objection to the Scheme. ASIC would not be expected to issue such a statement until shortly before the Second Court Date. If ASIC does not produce a written statement that it has no objection to the Scheme, the Court may still approve the Scheme provided it is satisfied that section 411(17)(a) of the Corporations Act is satisfied.

4.3 Entitlement and ability to vote at the Scheme Meeting

If you are registered as an Avocet Shareholder as at 5.00pm on the Voting Record Date (currently expected to be 25 May 2013), you will be entitled to vote on the resolution to approve the Scheme at the Scheme Meeting.

Avocet Shareholders can vote at the Scheme Meeting:

- in person;
- by appointing a proxy to vote for you;

- by corporate representative (if you are a corporate Avocet Shareholder); or
- by attorney.

You will be counted as being present at the Scheme Meeting if you vote in any of the ways outlined above.

4.4 Avocet Shareholders - Voting at the Scheme Meeting

Voting on the resolution to approve the Scheme will be by poll.

(a) **Voting in person**

If you wish to vote in person, you should attend the Scheme Meeting.

(b) **Voting by proxy**

Your personalised proxy forms for the Scheme Meeting accompanies this Scheme Booklet.

You can appoint a proxy for the Scheme Meeting by completing and returning to Avocet the enclosed proxy form. The proxy form for the Scheme Meeting must be received by Avocet no later than 48 hours prior to the commencement of the Scheme Meeting (currently scheduled for 27 May 2013).

You must return the proxy form to Avocet by either posting it in the reply paid envelope provided (for use in Australia) or by sending, delivering or faxing it as follows:

Share Registry:

Security Transfer Registrars Pty Ltd

Mail to: PO Box 535 Applecross WA 6953 Australia	Deliver to: 770 Canning Highway Applecross WA 6153 Australia	Fax to: +61 8 9315 2233
--	--	-----------------------------------

(c) **Undirected proxies**

If:

- an Avocet Shareholder nominates the chairman of the Scheme Meeting as the Avocet Shareholder's proxy; or
- a proxy appointment is signed by an Avocet Shareholder but does not name the proxies in whose favour it is given, or otherwise under a default appointment according to the terms of the proxy form,

the person acting as chairman in respect of an item of business at the Scheme Meeting must act as proxy under the appointment in respect of that item of business.

In the absence of a Superior Proposal for Avocet, proxy appointments in favour of the chairman of the Scheme Meeting, the Avocet company secretary or any Director which do not contain a direction will be voted in support of the Scheme resolution at the Scheme Meeting.

An Avocet Shareholder who has submitted a proxy has the right to appoint a proxy (who need not be a Avocet Shareholder) to represent him, her or it at the Scheme Meeting, other than the chairman of the Scheme, by inserting the name of their chosen proxy in the space provided for that purpose on the proxy form. An Avocet

Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half the votes.

An Avocet Shareholder who has deposited a proxy form may revoke it prior to its use, by instrument in writing executed by the Shareholder or by his, her or its attorney duly authorised in writing or, if the Shareholder is a company, executed by a duly authorised officer or attorney in compliance with applicable law and deposited at the Share Registry at any time up to and including the last Business Day preceding the day of the Scheme Meeting or with the chairman of the Scheme Meeting on the day of, and prior to the start of, the Scheme Meeting.

(d) **Voting by corporate representative**

To vote in person at the Scheme Meeting, an Avocet Shareholder or proxy which is a body corporate may appoint an individual to act as its representative.

To vote by corporate representative at the Scheme Meeting, a corporate Avocet Shareholder may obtain an appointment of corporate representative form from Avocet, complete and sign the form in accordance with the instructions on it, and lodge the form at the registration desk on the day of the Scheme Meeting.

If an appointment of corporate representative form is completed by an individual or a corporation under power of attorney, the power of attorney, or a certified copy, must accompany the completed form, unless the power of attorney has previously been noted by Avocet.

The appointment of a corporate representative may set out restrictions on the corporate representative's powers.

The original form of appointment of corporate representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a corporate representative, is taken as being evidence of a corporate representative having been appointed.

The chairman of the meeting may permit a person claiming to be a corporate representative to exercise the body's powers even if they have not produced a certificate or other satisfactory evidence of their appointment.

(e) **Voting by attorney**

If an Avocet Shareholder executes or proposes to execute any document, or do any act, by or through an attorney which is relevant to the Shareholder's shareholding in Avocet, that Shareholder must deliver the instrument appointing the attorney to Avocet for notation.

Avocet Shareholders wishing to vote by attorney at the Scheme Meeting must, if they have not already presented an appropriate power of attorney to Avocet for notation, deliver to Avocet (at the address or fax number provided in **section 4.4(b)** of this Scheme Booklet) the original instrument appointing the attorney or a certified copy of it by 10am (WST) on 25 May 2013.

Any power of attorney granted by an Avocet Shareholder will, as between Avocet and that Shareholder, continue in force and may be acted on, unless the contrary is evident

from the express terms of the power of attorney, or express notice in writing of its revocation or the death of the relevant Shareholder has been lodged with Avocet.

4.5 Entitlement to Vote

The Directors have fixed 25 May 2013 as the Voting Record Date which entitles Avocet Shareholders recorded on the Share Register at 5pm (WST) on such date to vote at the Scheme Meeting.

4.6 Shareholder Information

If, after reading this Scheme Booklet, you have any questions about the Merger, Scheme or the Scheme Meeting, please contact the Avocet Shareholder Communication Line on 1300 685 174 (toll free within Australia) or +61 2 8022 7902 (outside Australia) or otherwise consult your legal, investment, taxation or other professional adviser.

4.7 Further Information

Further information relating to voting procedures and details of the resolutions are contained in the notice convening the Scheme Meeting which is set out in **Annexure G** to this Scheme Booklet.

If you have any questions in relation to the Merger, please contact your legal, taxation, financial or other professional adviser.

5 Key considerations

The purpose of **section 5** is to identify significant issues for you to consider in relation to the Scheme.

Before deciding how to vote at the Scheme Meeting, you should carefully consider the factors discussed below and the risk factors outlined in **section 11**, as well as the other information contained in this Scheme Booklet.

5.1 Background

On 24 December 2012, Lion One and Avocet announced that they had entered into the Merger Implementation Agreement in relation to the Merger. Under the Merger, Lion One will acquire all of the Avocet Shares through a scheme of arrangement under the Corporations Act.

5.2 Scheme Consideration

Lion One has entered into the Deed Poll under which it has agreed, in favour of Scheme Shareholders, to provide the Scheme Consideration in accordance with the Scheme.

See **section 6** for further details on the Scheme Consideration.

5.3 Directors' recommendation

The independent Directors believe that the Scheme is in the best interests of Avocet Shareholders, and they unanimously recommend that Avocet Shareholders vote in favour of the Scheme in the absence of a Superior Proposal for Avocet.

Mr Stephen Mann has not made a recommendation in relation to the Scheme due to his position as a director of Lion One.

The independent Directors have formed their conclusion and made their recommendation on the Scheme based on the reasons outlined in **section 5.4** below.

All of the Directors intend to vote all their Avocet Shares in favour of the Scheme.

5.4 Why you should vote in favour of the Scheme

(a) Your Directors recommend the Scheme

- Your independent Directors unanimously recommend that, in the absence of a Superior Proposal for Avocet, you vote in favour of the Scheme.
- All of the Directors advise that they intend to vote all Avocet Shares held by them in favour of the Scheme.
- The matters the Directors have considered in making these recommendations are set out in **sections 1.1** and **1.2**.
- The implications for Avocet Shareholders if the Merger does not proceed are set out in **section 5.6**.

(b) **The value of the Scheme Consideration represents a substantial premium over the pre-announcement trading prices of Avocet Shares**

Based on the closing price of Lion One Shares on the TSX-V on 19 December 2012 (the last TSX-V trading day before the announcement of the Merger), the implied value of the Scheme Consideration was \$0.0721 per Avocet Share²⁴ which represents:

- a 28.73% premium to Avocet's closing price on the ASX on 20 December 2012; and
- a 28.07% premium to Avocet's 60-day volume weighted average trading price on the ASX for the period ending 20 December 2012.

The implied value of the Scheme Consideration may increase or decrease prior to the Implementation Date based on movements in the Lion One Share price.

For further information regarding the Scheme Consideration see **section 6**.

(c) **Scheme Shareholders will have the opportunity to receive Lion One Shares (in the form of CDIs) and participate in the future performance of a larger, TSX-V and ASX listed company, through the Merged Group**

The Merger will merge Avocet's assets into a TSX-V and ASX listed company with, among other things, an Indicated Mineral Resource of 172,000 ounces of gold at an average rate 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 in its flagship Tuvatu Gold Project located on the Fijian Island of Viti Levu.

²⁴ Calculated based on an exchange rate of 1 AUD = 1.0367 CAD.

The Merged Group will have three substantial assets:

- (i) **Tuvatu:** the Tuvatu Gold Project is situated in the Sabeto Valley, Fiji, approximately 50km southeast of the 11 million ounce Vatukoula gold deposit. A drilling program is currently underway, the aim of which is to carry out infill drilling to increase the confidence level of the existing resource, step out drilling to expand the resource base, and exploratory drilling to test additional targets. Diamond drilling conducted in 2012 identified significant high grade extensions to the mineralisation previously recognised, and field staff have mapped a number of new mineralised veins outcropping at surface. Drilling is expected to lead to an updated resource estimate in preparation for taking the project into production;
- (ii) **Olary Creek:** the Olary Creek Project is located 70 kilometres from Broken Hill, South Australia, with ready access to roads, rail and port facilities. Two drilling programmes were completed in 2011/12 targeting a significant portion of the siltstone hosted Braemer Iron Formation which is highly prospective for bulk magnetite iron ore deposits in the region; and
- (iii) **Ashburton:** the Ashburton Project is situated south of Paraburdoo, Western Australia and comprises 19 exploration tenements prospective for gold, silver, rare earths and base metals, in addition to unconformity style uranium mineralisation. 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 joint venture between Avocet and Cameco Australia, and the three remaining tenements form part of the Saltwater Pool Joint Venture between Avocet, and Thundelarra Exploration and Cullen Resources. Significant high grade gold/silver mineralisation has been identified at the Monster project on the Saltwater Pool Joint Venture.

The description of the assets and operations of Avocet and Lion One in **sections 7 and 8**, respectively, is considered to provide an accurate outline of the operations and assets of the Merged Group.

- (d) **Avocet's assets will compliment a successful exploration company, by enhancing the Merged Group's suite of exploration assets**

The Merger will provide an opportunity for Avocet Shareholders to participate in the benefits expected from the larger Merged Group, while retaining exposure to Avocet's existing asset base, which includes assets in Western Australia, South Australia, Queensland and Argentina.

See **sections 7 and 8** for further details regarding the assets and operations of Avocet and Lion One.

- (e) **The Merged Group will have a stronger balance sheet relative to Avocet alone**

The Merged Group will have a stronger balance sheet with a pro forma cash position of approximately C\$18 million (versus C\$4 million for Avocet standalone) as at 31 December 2012 which the Merged Group intends to use to advance exploration of Lion One's Tuvatu Gold Project, explore Avocet's prospective exploration projects in Australia and Argentina, and seek and evaluate further mineral resource properties and growth opportunities.

If Avocet were to remain a standalone entity they would be required to undertake significant further capital raising in order to fund their future development and

exploration activities. There is no guarantee they would be able to raise such significant additional capital in the future.

See **section 9.7** for further details regarding the pro forma consolidated financial position of the Merged Group.

(f) **The Merged Group will be managed by a capable and experienced board and management team with a proven track record**

The Merger will result in the Merged Group being led by a capable and experienced board, and senior management that has a long and successful track record in creating, financing and growing junior and intermediate mining companies, and this strength will be a significant advantage in realising the value in Avocet's assets. The Merger will facilitate the better utilisation of the combined management expertise and streamlining of decision making processes.

Mr Stephen Mann, the current Managing Director of Avocet, will be the Managing Director of the Merged Group.

(g) **The Merger enhances the scale and growth platform of Avocet, including through greater access to global capital markets, and providing access to opportunities otherwise unavailable to Avocet today**

The Merger will provide Avocet Shareholders with a strengthened strategic position and capability, resulting in a superior platform for growth that will enable the pursuit of business development opportunities not currently available to Avocet alone.

In addition, as Lion One is a Canadian company, and listed on the TSX-V, FSE and OTCQX, the Merger is expected to provide Avocet with an increased exposure to Canadian, North American and European capital markets and investors through Lion One's listing on foreign exchanges.

(h) **The Merger will create potential cost savings**

The Merger will create potential cost savings for the Merged Group through the elimination of duplicate roles, and improved efficiencies by rationalising future decision making processes.

(i) **The Independent Expert, RSM Bird Cameron, has concluded that the Scheme is in Avocet Shareholders' best interests**

The Independent Expert has concluded that the Merger is in the best interests of Avocet Shareholders.

(j) **Avocet requires significant additional capital to develop its projects which could subject Avocet Shareholders to significant dilution were it to remain a standalone entity**

Avocet's long term planned expenditure which, includes extensive drilling and extensive surface exploration drilling on the Ashburton Project, and on the Sierra Cuadrada and Cerro Chacon Projects, contains significant capital requirements far in excess of Avocet's current cash in hand.

If the funding required for the planned expenditure were to be raised via the issue of new Avocet securities, current Avocet Shareholders would be subject to considerable dilution.

Unless you were entitled to, and did, participate in the substantial equity raisings that would be required, your current holding in Avocet would be significantly diluted.

(k) **Australian residents for taxation purposes should generally be able to obtain CGT scrip-for-scrip roll-over relief on any capital gains**

If you are an Australian resident for tax purposes and you would otherwise realise a capital gain on the disposal of your Avocet Shares in return for Lion One Shares (in the form of CDIs) under the Scheme you should generally be able to obtain CGT scrip-for-scrip roll-over relief.

Further details in relation to tax considerations can be found in **section 10** of this Scheme Booklet.

(l) **Shareholders will not be required to pay any brokerage costs**

Avocet Shareholders (other than Ineligible Foreign Shareholders and Electing Small Shareholders) will not be required to pay any brokerage or other costs in connection with the disposal of their Avocet Shares under the Scheme.

5.5 Why you might vote against the Scheme

Your independent Directors have had regard to the reasons set out in **sections 1.1** and **5.4** in recommending that you vote in favour of the Scheme in the absence of a Superior Proposal for Avocet. The Independent Expert has concluded that the Scheme is in the best interests of Avocet Shareholders. However, you are not obliged to accept your Directors' recommendation or the view of the Independent Expert. Some of the reasons why you may decide to vote against the Scheme are set out in **section 1.2** and below. You should note that if you decide to vote against the Scheme, it may still be implemented if it is approved by the Requisite Majority of Avocet Shareholders and by the Court.

(a) **The Merged Group will be subject to a number of risks to which Avocet is not currently exposed**

If the Scheme becomes Effective, Scheme Shareholders will be entitled to receive the Scheme Consideration, being Lion One Shares (in the form of CDIs)²⁵.

The value of Lion One Shares and Lion One CDIs will be influenced by a range of factors, many of which will be beyond the control of the Merged Group.

The Avocet business, which will form part of the Merged Group, faces many of these risks already and they are therefore risks to which you already have some exposure. However, a number of risks may be new and could be potentially greater in impact than is currently the case in relation to Avocet.

Further details of these risks can be found in **section 11** of this Scheme Booklet.

(b) **The investment profile for Avocet Shareholders will change**

While Avocet and Lion One are both resource companies, the operational profile, capital structure and size of the Merged Group will be different from that of Avocet on a standalone basis.

²⁵ Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

(c) **You will be exposed to differences between applicable corporate and securities laws**

Avocet is incorporated in Australia and Lion One is incorporated in Canada. If the Scheme becomes Effective, Avocet Shareholders whose rights are currently governed by the laws of Australia and the constitution of Avocet, who receive the Scheme Consideration, will become holders of New Lion One Shares.

The rights of holders of New Lion One Shares will be governed by Canadian law, and Lion One's Memorandum and Articles of Association.

Although some of the material differences between applicable laws as they relate to Avocet and Lion One respectively could be viewed as advantageous to Avocet Shareholders, others could be viewed as disadvantageous to Avocet Shareholders.

Further details of the differences between applicable laws can be found in **Annexure F**.

(d) **A Superior Proposal for Avocet may materialise in the future if Avocet were to continue as an independent company**

It is possible that a Superior Proposal for Avocet, which could be more attractive to Avocet Shareholders than the Merger, may materialise in the future. The implementation of the Merger would mean that Avocet Shareholders would not obtain the benefit of any such proposal.

The Avocet Board is not currently aware of any such proposal and notes that since Avocet and Lion One announced the Merger, there has been a significant period of time and ample opportunity for an alternative proposal for Avocet, which provides a different outcome for Avocet Shareholders, to emerge.

Avocet Shareholders in the Merged Group will still have an opportunity to realise fair value for their New Lion One Shares in the event of any post-Merger change of control and in particular any premium that may be payable.

(e) **You may prefer Avocet to be exposed to the opportunity for increased value by remaining as an independent company**

You may believe that Avocet will deliver greater returns to Avocet Shareholders over the long term by remaining an independent company.

In assessing and recommending the Scheme, your independent Directors evaluated the benefits and risks of Avocet continuing as an independent company against its other strategic alternatives.

In deciding that they should recommend the Merger, your independent Directors determined that, on balance, the earlier and more certain value represented by the Merger was more favourable to Avocet Shareholders than the strategic options and risks that might otherwise be available to or faced by Avocet as an independent company.

(f) **The exact value of the Scheme Consideration on implementation of the Scheme is not certain**

The exact value of the Scheme Consideration that would be realised by Scheme Shareholders upon implementation of the Scheme is not certain because it is dependent on the price at which Lion One Shares trade on or about that date.

(g) **Dilution of Avocet Shareholders' interest in Avocet's assets**

Avocet Shareholders that hold New Lion One Shares after implementation of the Merger will have a diluted interest in the current Avocet portfolio and will share any future development and exploration upside in this asset portfolio with the existing shareholders of the Merged Group.

Upon implementation of the Merger, the current Avocet Shareholders will hold approximately 18.5% of the fully diluted Merged Group.

(h) **Exposure to movements in foreign exchange rates**

Lion One Shares are denominated in Canadian dollars on the TSX-V. Accordingly, Shareholders who receive Lion One Shares (in the form of CDIs), and elect to convert the CDIs into Lion One Shares, will be exposed to movements in foreign exchange rates between Australian and Canadian currencies, the impact of which cannot be predicted reliably. Consequently, the Australian dollar value you receive for the future sale of Lion One Shares received under the Scheme may be adversely affected by foreign exchange rate movements.

5.6 Other relevant considerations

(a) **The Scheme is conditional**

The Scheme is conditional on approval by the Requisite Majority of Avocet Shareholders and approval by the Court.

The Merger is also conditional on a number of other conditions, which are set out in **section 12.2** of this Scheme Booklet. As at the date of this Scheme Booklet, neither Avocet nor Lion One is aware of any matter which they expect will result in a breach of, or lead to non-performance of, any of those conditions.

(b) **All or nothing proposal**

If all the conditions to the Merger are satisfied or waived (as applicable):

- the Scheme will bind all Scheme Shareholders, including those who do not vote on the proposal and those who vote against it, meaning that all Scheme Shareholders will have their Avocet Shares transferred to Lion One and will receive the Scheme Consideration²⁶;
- Avocet will become a wholly owned subsidiary of Lion One;
- Avocet will be delisted from the ASX;
- Lion One will continue to be listed on the TSX-V; and
- Lion One will be admitted to the official list of the ASX and the Lion One CDIs will be approved for quotation on the ASX.

(c) **What happens if the Scheme is not implemented?**

If any of the conditions to the Merger are not satisfied or waived, the Merger Implementation Agreement may be terminated and the Merger will not be implemented.

The consequences of the Scheme not being implemented include:

²⁶ Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

- Scheme Shareholders will retain their Avocet Shares, will not receive the Scheme Consideration, and will continue to be exposed to the risk associated with their investment in Avocet Shares;
- the existing Avocet Board and management will continue to operate Avocet's business;
- the expected benefits of the Merger (as set out in **sections 1.1 and 5.4**) will not be realised;
- if the Scheme is not implemented, and no alternative proposal emerges, the Avocet Share price may fall;
- Avocet will have incurred significant costs and management time and resources for no outcome; and
- Avocet may be liable to pay the Avocet Break Fee Amount to Lion One (see **section 12.5**).

(d) **Risks if the Merger does not proceed**

There can be no certainty that the Merger will be completed. Failure to complete the Merger could negatively impact the Avocet Share price.

The completion of the Merger is subject to a number of conditions precedent, some of which are outside the control of Avocet. There can be no certainty, nor can Avocet provide any assurance, that these conditions will be satisfied or waived, or if satisfied, when they will be satisfied. If the Merger is not completed, the market price of Avocet Shares may decline to the extent that the market price reflects an assumption that the Merger will be completed.

(e) **Transaction costs**

Avocet will incur significant transaction costs in connection with the Merger. Avocet will be obliged to pay fees and other expenses related to the Merger of approximately \$420,000, including filing fees, legal and accounting fees, fees to the Independent Expert and Independent Technical Specialist, regulatory fees and mailing costs.

(f) **Avocet Break Fee Amount may become payable**

Avocet may be required to pay the Avocet Break Fee Amount in certain circumstances. See **section 12.5** of this Scheme Booklet for more information.

5.7 **What are your options and what should you do?**

Your options include the following in relation to your Avocet Shares. **Avocet encourages you to consider your personal risk profile, portfolio strategy, tax position and financial circumstances and seek professional advice before making any decision in relation to your Avocet Shares.**

(a) **Vote in favour of the Scheme at the Scheme Meeting**

Your independent Directors unanimously recommend that, in the absence of a Superior Proposal for Avocet, you vote in favour of the Scheme. The reasons for your independent Directors' unanimous recommendation are set out in **section 1.1** of this Scheme Booklet.

To vote in favour of the Merger, you need to vote in favour of the Scheme at the Scheme Meeting. For directions on how to vote at this meeting and important voting information generally, please refer to **sections 4.4 and 4.5** of this Scheme Booklet.

(b) Vote against the Scheme at the Scheme Meeting

If, despite your independent Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Merger, you may vote against the Scheme at the Scheme Meeting.

However, you should note that if all of the conditions to the Merger are satisfied or waived (as applicable), the Scheme will bind all Avocet Shareholders, including those who vote against the Scheme at the Scheme Meeting or those who do not vote at all.

(c) Sell your Avocet Shares on the ASX before the Effective Date

The existence of the Merger does not preclude you from selling your Avocet Shares on market for cash, if you wish, provided you do so before close of trading on the ASX on the Effective Date (currently expected to be 4 June 2013), when trading in Avocet Shares will end.

Since the Announcement Date, Avocet Shares have traded on ASX at prices above and below the closing share price on 20 December 2012 (being the last full day of trading before the Announcement Date).

If you are considering selling your Avocet Shares on the ASX, you should have regard to the prevailing trading prices of Avocet Shares at that time.

If you sell your Avocet Shares on market for cash, you:

- will not be entitled to receive the Scheme Consideration;
- may incur a brokerage charge; and
- will not be able to participate in a Superior Proposal for Avocet, if one emerges, noting that, as at the date of this Scheme Booklet, your Directors have not received notice from any third party of an intention to make any competing proposal.

(d) Do nothing

If, despite your independent Directors' unanimous recommendation and the conclusion of the Independent Expert, you decide to do nothing, you should note that if all of the conditions of the Merger are satisfied or waived (as applicable), the Scheme will bind all Avocet Shareholders, including those who vote against the Scheme at the Scheme Meeting or those who do not vote at all.

Remember, your vote is important. If the Scheme is not approved by the Requisite Majority of Avocet Shareholders you will not be entitled to receive any Scheme Consideration.

6 Scheme Consideration

6.1 Overview

This section provides additional information regarding the Scheme Consideration, including:

- (a) for Avocet Shareholders, information about the calculation and payment of the Scheme Consideration (see **section 6.2**);
- (b) for Avocet Shareholders (other than Ineligible Foreign Shareholders and Electing Small Shareholders), information about Lion One CDIs (see **section 6.3**); and
- (c) information for Avocet Shareholders outside of Australia and its external territories, Canada, New Zealand, Singapore and the United Kingdom (including Ineligible Foreign Shareholders) (see **section 6.4**).

6.2 Scheme Consideration

Consideration

Under the Scheme, Scheme Shareholders, that is, each person who is a registered shareholder of Avocet (other than Ineligible Foreign Shareholders and Electing Small Shareholders)²⁷ will receive their Scheme Consideration, being 1 Lion One Share (in the form of a CDI) for every 9.5 Avocet Shares they hold at the Record Date.

Rounding

If, pursuant to the calculation of your Scheme Consideration, you would be entitled to a fraction of a New Lion One Share, then, any such fractional entitlement:

- (a) if to less than 0.5 of a New Lion One Share, will be rounded down to the nearest whole number of New Lion One Shares; and
- (b) if to 0.5 or more of a New Lion One Share, will be rounded up to the nearest whole number of New Lion One Shares,

provided that if a Scheme Shareholder holds less than 9.5 Avocet Shares on the Record Date, Lion One will issue that Scheme Shareholder one New Lion One Share.

Payment

If the Scheme becomes Effective and your name appears in the Avocet Share Register on the Record Date for the Scheme and you are not an Ineligible Foreign Shareholder or an Electing Small Shareholder, you will receive:

- (a) Lion One CDIs to the extent that your Avocet Shares are held on the Avocet issuer sponsored subregister or the Avocet CHESSE subregister, and your name and address will be recorded on the Implementation Date on:

²⁷ Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

- (i) the Lion One CDI issuer sponsored subregister in respect of your Lion One CDIs, to the extent that those Lion One CDIs are issued for Avocet Shares that are held on the Avocet issuer sponsored subregister; or
- (ii) the Lion One CDI CHESS subregister in respect of your Lion One CDIs, to the extent that those Lion One CDIs are issued for Avocet Shares held on the Avocet CHESS subregister,

and a holding statement for your Lion One CDIs will be sent to you within 5 Business Days after the Implementation Date; and

- (b) Lion One intends to apply to have its Lion One CDIs trade on a deferred settlement basis prior to the Implementation Date. However, as the exact number of Lion One CDIs to be issued to each Scheme Shareholder will not be known until after the Record Date, any trade in Lion One CDIs during the deferred settlement period is at the CDI holder's risk.

6.3 Lion One CDIs and Lion One Shares

This section provides information on key features of, and principal differences between, Lion One Shares and Lion One CDIs.

Lion One Shares

Lion One Shares are ordinary shares in the share capital of Lion One. Lion One Shares are listed on the TSX-V. Lion One Shares cannot be traded on ASX.

Lion One CDIs

A CDI is a financial product quoted on ASX. CDIs represent an interest in the underlying security of the foreign company. This allows investors to trade interests in foreign securities by trading the relevant CDIs on ASX. Each Lion One CDI will represent one Lion One Share and will confer a beneficial interest in that Lion One Share. Lion One Shares represented by Lion One CDIs will be held by CDN, a wholly owned subsidiary of ASX, on behalf of the holders of Lion One CDIs. Upon Lion One being admitted to the official list of ASX, Lion One CDIs will be quoted and traded on ASX in Australian dollars. They will not be listed, and will not be able to be traded, on the TSX-V. The key features of Lion One CDIs are summarised below.

(a) General

Except for certain differences noted below, the rights attaching to Lion One CDIs are economically equivalent to the rights attaching to Lion One Shares, and Lion One will generally be required to treat holders of Lion One CDIs as if they were the holders of the Lion One Shares represented by those Lion One CDIs. This means that economic benefits such as dividends, bonus issues and rights issues will generally flow through to holders of Lion One CDIs as if they were the registered holders of the underlying Lion One Shares.

(b) Ratio

Each Lion One CDI will represent one Lion One Share held by CDN, a wholly owned subsidiary of ASX.

(c) Voting

Holders of Lion One CDIs will be sent notices of general meetings of Lion One shareholders at the same time as they are sent to Lion One shareholders. As holders of Lion One CDIs are not the registered holders of the Lion One Shares represented by Lion One CDIs, they will not be automatically entitled to vote in person at a general meeting of Lion One Shareholders. However, the holder of a Lion One CDI can direct CDN to cast

votes in a particular manner on their behalf or they can require CDN to appoint the holder (or a person nominated by the holder) as proxy to exercise the votes attaching to the Lion One Shares represented by the holder's Lion One CDIs. In such latter case, a holder of a Lion One CDI may, as proxy, attend and vote in person at a general meeting of Lion One shareholders.

(d) **Takeovers**

CDN must not accept a takeover offer in respect of any Lion One Shares representing Lion One CDIs except to the extent that holders of Lion One CDIs have authorised CDN to accept the offer. It is CDN's responsibility to ensure that the bidder processes those acceptances.

(e) **Conversion of Lion One CDIs into Lion One Shares**

Holders of Lion One CDIs may at any time convert their Lion One CDIs into Lion One Shares (which may then be traded on TSX-V) by contacting:

- (i) the Lion One CDI Registry (Computershare Australia), if their Lion One CDIs are held on the Lion One CDI issuer sponsored subregister; or
- (ii) their controlling participant (usually their broker), if their Lion One CDIs are held on a CHESS subregister of Lion One CDIs. Requests for conversion of Lion One CDIs into Lion One Shares will ordinarily be processed on the same business day. Conversion is achieved by transferring the underlying Lion One Shares from CDN to the holder of the Lion One CDIs. No settlement of a trade of the underlying Lion One Shares can take place on TSX-V until the conversion process has been completed.

(f) **Communications from Lion One**

Lion One will communicate directly with holders of Lion One CDIs with respect to corporate actions and will send notices and other documents (e.g. notice of meetings) to holders of Lion One CDIs at the same time as they are sent to Lion One shareholders.

(g) **Trading**

Following the quotation of Lion One CDIs on ASX, Lion One CDIs will be able to be traded on ASX. They will not be tradeable on TSX-V. If a holder of Lion One CDIs wishes to trade on TSX-V, they must convert the Lion One CDIs into Lion One Shares (see above).

(h) **Dividends**

Dividend record and payment dates will be the same for Lion One Shares and Lion One CDIs. Any cash dividends or distributions will be converted by Lion One or its agent from Canadian dollars into Australian dollars in accordance with the applicable exchange rate, from time to time, paid by Lion One to the Lion One CDI Registry (Computershare Australia) on trust for the holders of Lion One CDIs (net of any currency conversion costs) and then paid directly to holders of Lion One CDIs by the Lion One CDI Registry on the payment date. Please note that Lion One does not currently intend to pay any dividends.

(i) **Evidence of ownership**

If Lion One CDIs are issued to you under the Scheme, you will be sent a holding statement in respect of your issuer sponsored Lion One CDIs rather than a holding statement or Canadian direct registration statement for the underlying Lion One Shares. If your holding is in CHESS, the registry will provide a confirmation of issue. Holding statements

will be dispatched in the first week after the month following a change in the number of Lion One CDIs held by you. Lion One CDIs may be held on an issuer sponsored subregister or on a CHESSE subregister. If you receive Lion One CDIs under the Scheme, you will receive them:

- (i) on the Lion One CDI issuer sponsored subregister, to the extent they are issued for Avocet Shares held on the Avocet issuer sponsored subregister; and
- (ii) on the Lion One CDI CHESSE subregister, to the extent they are issued for Avocet Shares held on the Avocet CHESSE subregister.

The principal differences between holding Lion One CDIs and Lion One Shares

The principal difference between holding a Lion One CDI and holding a Lion One Share is that the holder of a Lion One CDI has, through CDN, an indirect, beneficial interest in the Lion One Share underlying their Lion One CDI instead of directly owning that Lion One Share. This means that the holder of the Lion One CDI is not the registered holder of the underlying Lion One Share and therefore cannot directly trade the underlying Lion One Share.

Several other differences are noted below.

(a) **Lion One CDIs will be quoted on ASX and Lion One Shares will be listed on TSX-V**

Lion One CDIs will be tradeable on ASX only. This has the advantage that Lion One CDIs can be traded during Australian business hours using Australian brokers in prices quoted in Australian dollars. However, see **section 11.5** for a discussion of the liquidity of the market for Lion One CDIs and the potential risk that they may trade at a discount to Lion One Shares on TSX-V.

(b) **Exercise of shareholder rights**

As holders of Lion One CDIs are not registered shareholders of Lion One, the rights attaching to Lion One Shares which underlie their Lion One CDIs must be exercised by CDN. A holder of Lion One CDIs may instruct CDN to exercise those rights on their behalf. For example, as mentioned above under "Voting" in **section 6.3** above, a holder of a Lion One CDI may not be able to attend a Lion One general meeting as a shareholder but can direct CDN how to vote or to appoint the holder as proxy. In contrast, a registered holder of Lion One Shares can directly exercise the rights attaching to their Lion One Shares in such manner as they choose.

6.4 Ineligible Foreign Shareholders

Restrictions in certain foreign countries may make it impractical or unlawful for New Lion One Shares to be offered or issued under the Scheme to Shareholders in those countries.

Scheme Shareholders whose address as shown on the Share Register at the Record Date is outside of Australia and its external territories, Canada, New Zealand, Singapore, and the United Kingdom, will be regarded as Ineligible Foreign Shareholders for the purposes of the Scheme unless Lion One and Avocet are reasonably satisfied that it is lawful and not unduly onerous to issue New Lion One Shares to the Scheme Shareholder when the Scheme becomes Effective.

Lion One is under no obligation to issue New Lion One Shares comprising the Scheme Consideration to any Ineligible Foreign Shareholder.

In the case of each Ineligible Foreign Shareholder, Lion One must issue the New Lion One Shares to which the Scheme Shareholder would have been entitled (were they not an Ineligible Foreign Shareholder) to the Sale Agent, and procure that the Sale Agent:

- (a) as soon as reasonably practicable (and in any event within 15 Business Days after the Implementation Date) in the ordinary course of trading on the TSX-V, sells those New Lion One Shares in such manner, at such price and on such other terms as the Sale Agent determines in good faith, and at the risk of the Ineligible Foreign Shareholders; and
- (b) remits to Lion One the proceeds of sale (after deducting any applicable brokerage and other selling costs, taxes and charges).

Lion One will pay to each Ineligible Foreign Shareholder an amount equal to the number of New Lion One Shares which would have been issued to that Ineligible Foreign Holder (if they were eligible to receive New Lion One Shares) divided by the total number of New Lion One Shares issued to the Sale Agent, promptly after the last sale of New Lion One Shares by the Sale Agent.

Lion One will pay the relevant amount to each Ineligible Foreign Holder by either:

- (a) dispatching, or procuring the dispatch, to that Ineligible Foreign Holder by prepaid post to that Ineligible Foreign Holder's Registered Address (at the Record Date), a cheque in the name of that Ineligible Foreign Holder; or
- (b) making a deposit in an account with any ADI (as defined in the *Banking Act 1959* (Cth)) in Australia notified by that Ineligible Foreign Holder to Avocet (or the Avocet Share Registry) and recorded in or for the purposes of the Avocet Share Register at the Record Date,

for the relevant amount, with that amount being denominated in Australian dollars.

Avocet, Lion One and the Sale Agent give no assurance as to the price that will be achieved from the sale of New Lion One Shares for Ineligible Foreign Shareholders by the Sale Agent.

6.5 Small Shareholders

If you are a Scheme Shareholder who will be entitled to receive 500 or less New Lion One Shares, you are classified as a Small Shareholder.

If you are a Small Shareholder you can, using the Small Shareholder Cash Election Form included with this Scheme Booklet, elect to have all the New Lion One Shares you would receive under the Scheme allotted to the Sale Agent who will sell those New Lion One Shares on the TSX-V and remit the proceeds to you (after deducting any applicable brokerage and other selling costs, taxes and charges).

Small Shareholders should consider their personal circumstances and preferences in deciding whether to receive New Lion One Shares or the net proceeds of sale of the New Lion One Shares that would otherwise be issued to them. If you are a Small Shareholder and would prefer the latter alternative, you should complete and sign the Small Shareholder Cash Election Form enclosed with this Scheme Booklet and return it to the Avocet Share Registry before 5.00pm (WST) on 7 June 2013.

Small Shareholders who wish to be issued New Lion One Shares (in the form of CDIs) as their Scheme Consideration should not complete the Small Shareholder Cash Election Form.

Avocet, Lion One and the Sale Agent give no assurance as to the price that will be achieved from the sale of New Lion One Shares for Electing Small Shareholders by the Sale Agent. The cash proceeds that Electing Small Shareholders will receive may be more or less than the current market value of Lion One Shares.

7 Information about Avocet

7.1 General

This **section 7** contains information in relation to Avocet.

The Independent Expert's Report in **Annexure A** to this Scheme Booklet contains further detailed information on Avocet.

Avocet is listed on ASX and is a "disclosing entity" for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Avocet is required to notify ASX (subject to certain exceptions) immediately after it becomes aware of any information concerning Avocet which a reasonable person would expect to have a material effect on the price or value of Avocet Shares.

Copies of announcements made by Avocet to ASX are available on the ASX website (www.asx.com.au), and also on Avocet's website (www.avocetresources.com.au).

7.2 About Avocet

Avocet is a dedicated mineral exploration company focused on exploring for uranium, precious metals and iron ore in Australia and Argentina. The Company holds 25 tenements in Australia, both solely and through joint ventures, and 23 tenements in Argentina, for a total landholding of over 4000km². Its portfolio contains the advanced project at Olary Creek, South Australia, on which Avocet and its joint venture partner completed two drilling programmes in 2011/12 targeting a significant portion of the siltstone hosted Braemer Iron Formation which is highly prospective for bulk magnetite iron ore deposits in the region.

As at 16 April 2013 (being the latest practicable date prior to the finalisation of this Scheme Booklet), Avocet's market capitalisation on ASX was approximately \$4.3 million.

Avocet's registered office is at Level 2, 55 Carrington Street, Nedlands WA 6009.

Avocet is a publicly listed company on the ASX. It has one wholly owned Australian incorporated subsidiary, Piche Resources Pty Ltd.

Avocet has registered a branch of Piche Resources Pty Ltd as a foreign company in Buenos Aires, Argentina as its vehicle for exploration (and development if appropriate) in Argentina.

Avocet's management structure is set out below:

Philip Lucas – Chairman

Stephen Mann – Managing Director

Stanley Macdonald – Non-executive Director

David McArthur – Company Secretary

7.3 Avocet's main projects

Olary Creek – South Australia

The Olary Creek Project (Exploration Licence 4664), is located 70 kilometres from Broken Hill 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.

Avocet considers the project prospective for a range of elements and has completed drilling programmes 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.

Avocet's joint venture partner, "HJH Nominees" and its partner, "HJK", completed 24 diamond drill holes for a total of 7052.6 metres in 2011 and a further 31 reverse circulation/diamond drill holes in 2012, for a total advance of 9188.7 metres.

The Olary Creek drilling programmes have targeted a small portion of the siltstone hosted Braemar Iron Formation which is highly prospective for bulk magnetite iron ore deposits in the region. The upper 30 to 80 metres of stratigraphy is iron rich but contains a combination of both hematite and magnetite, but below that depth, the Davis Tube Recovery concentrate grades average 68-70% Fe with generally low P, S, Al₂O₃ and SiO₂.

A ground magnetic survey was completed over the main iron ore target area. The survey was performed with a WCZ-1 Proton Magnetometer. Line spacing was 100 metres, point spacing 20 metres over an area of 10.85km² between 467300mE and 470400mE and 6399700mN and 6403200mN (GDA94, MGA Zone 54).

The magnetic interpretation map highlighted three magnetic layers, arbitrarily named layers 1 to 3. Iron ore layer 1 is the primary layer of interest for iron ore exploration, being the main target for drilling. The result of careful mapping shows that the magnetic intensity of each of the layers varies along strike. Two of the units are broken up into two separate beds, resulting in the existence of a total of 5 ferruginous siltstone beds. To date, the upper most unit has only one hole drilled into its 7.5km strike, whereas the other units have been drilled for less than one third of their strike extent.

Particularly, layer 1 shows a large difference between the northern flank with highest magnetic intensity, and the southern flank, with comparatively low magnetic intensity. On the contrary, layer 2 displays the highest magnetic intensity on the southern flank.

Ashburton Project - 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 mineralisation and is 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, and the three remaining tenements form part of the Saltwater Pool Joint Venture with Thundelarra Exploration and Cullen Resources.

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.

Ashburton Joint Venture

The Ashburton Joint Venture consists of 13 tenements in a 50:50 joint venture with Cameco Australia Pty Ltd. The Ashburton Joint Venture has completed a number of geophysical surveys as well as two programs of drilling and extensive surface geochemical sampling, assaying and geological mapping.

Both joint venture partners were contributing until 31 October 2012. Avocet received notice from Cameco Australia Pty Ltd that it will no longer contribute to exploration expenditure on the Ashburton Joint Venture in order to focus their time and funds on the development of their uranium resources in Australia. They wish to remain a partner but intend to dilute their interest.

Saltwater Pool Joint Venture

Avocet is farming into three tenements held by either Cullen Resources or Thundelarra Exploration in the Ashburton area, adjacent to tenements held in conjunction with Cameco.

The tenements are prospective for uranium, base metals and precious metals.

Avocet has undertaken considerable exploration on the Saltwater Pool Joint Venture. Avocet has announced the results of sampling of a quartz vein and shear system within the Saltwater Pool Joint Venture. Additional sampling was carried out and has confirmed these results with samples returning up to the exceptionally high grades of 1660g/t Ag (silver), 13.0g/t Au (gold) and 1830ppm Cu (copper). Importantly, there seems to be no evidence or records of any historic workings or other exploration activities within the region. Avocet has mapped the host shear structure over a strike of 13km to date and geophysical evidence indicates that it continues undercover to the northwest and southeast. The Company is currently planning a drilling program on the Saltwater Pool Joint Venture for the first semester of 2013.

Sierra Cuadrada and Cerro Chacon - Argentina

Following the creation of the 100% owned subsidiary of Avocet in Australia, Piche Resources Pty Ltd, a branch of that subsidiary has now been established in Argentina as the vehicle for the Company's exploration activities in South America.

Sierra Cuadrada

In December 2011, Avocet announced that it had signed a Heads of Agreement with Canadian based U308 Corp, a company focussed on exploration and resource expansion in South America.

The Sierra Cuadrada Project covers an area of over 700km² adjacent to CNEA's (Atomic Energy Agency of Argentina) Sierra Cuadrada Project in the southern half of the province of Chubut in Argentina.

The area is prospective for sandstone hosted uranium mineralisation, similar in style to the previously mined Cerro Condor and Los Adobes operations, and the current advanced resource of Cerro Solo, all in the same province.

Even though visible uranium mineralisation outcrops at the surface in a number of areas within the project, very little surface exploration, and no drilling, has been undertaken outside the zone of mineralisation previously identified by CNEA.

Avocet will have the right to earn 51% interest in the Sierra Cuadrada Joint Venture by spending US\$1 million in exploration within a period of four years. Avocet will manage the Sierra Cuadrada JV. Avocet's JV partner, U3O8 Corp., is a Toronto-based exploration company focused on exploration and resource expansion of uranium and associated commodities in South America. U3O8 Corp. has an advanced portfolio of uranium projects in the region including Guyana, Argentina and Columbia.

A formal Joint Venture Agreement is currently being prepared after which, Avocet intends to commence an aggressive, but systematic exploration programme over the project area.

Cerro Chacon

In March 2012, Avocet also announced that Piche Resources had signed a formal Joint Venture Agreement with MH Argentina S.A. on the Cerro Chacon Project in Argentina.

The Cerro Chacon Project consists of 11 tenements, covering an area of approximately 419km², in the province of Chubut, in the Patagonia region of Argentina.

The project area is prospective for low sulphidation epithermal gold-silver mineralisation with several very significant anomalies having previously been identified. Epithermal vein systems up to 2km long have been followed on the surface with rock chip samples returning gold value to 9.8g/t Au (gold).

Additionally, this and other prospects within the Joint Venture are anomalous in precious and base metals and other minerals indicative of this style of mineralisation. No historical drilling or other work of significance has been undertaken on the project to date.

Piche Resources has the right to earn 60% in the Joint Venture by expending US\$500,000 during the first three years.

Furthermore, Piche Resources is able to earn 100% of the project within 10 years subject to conditions which include:

- (a) expending US\$500,000 during the first three years;
- (b) within the initial 3 year period, a Joint Venture Company between MHA and Piche having been formed; and
- (c) mining activities having commenced.

If Piche meets the conditions set out above and exercises its options to earn 100% of the project, MHA will be granted a 3% net Smelter Return Royalty over the property. Piche will be able to acquire half of that royalty (1.5%) by payment of US\$1.5million.

7.4 Financial information

The selected historical financial information in this section has been derived from Avocet's reviewed²⁸ financial statements for the half year ended 31 December 2012, and the audited financial statements for the financial years ended 30 June 2012 and 2011.

²⁸ A review of a half-year financial report consists of the company's auditor making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit

The information in this section is a summary only and has been prepared solely for inclusion in this Scheme Booklet. The full financial statements for the financial years ended 30 June 2012 and 2011 (inclusive of all notes) of Avocet have been published in Avocet's annual reports and are available from Avocet's website (www.avocetresources.com.au), and on ASX (www.asx.com.au).

(a) Basis of preparation

The financial information contained in this section has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (AASB), although it is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information as required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

(b) Balance sheets

Set out below are Avocet's summary consolidated balance sheets at 31 December 2012, 30 June 2012 and 30 June 2011. All amounts are rounded to the nearest one thousand dollars.

	December 31, 2012 (AUD\$) (Unaudited)	December 31, 2012 (CAD\$) (Unaudited)	June 30, 2012 (AUD\$) Unaudited	June 30, 2012 (CAD\$) (Unaudited)	June 30, 2011 (AUD\$) Unaudited	June 30, 2011 (CAD\$) (Unaudited)
Assets						
Cash and cash equivalents	3,911,430	4,044,912	4,649,733	4,843,472	5,986,731	6,196,803
Other receivables	71,197	73,627	155,960	162,458	374,759	387,909
Prepayments	26,144	27,036	42,680	44,458	29,037	30,056
Total current assets	4,008,771	4,145,575	4,848,373	5,050,388	6,390,527	6,614,768
Other receivables	88,353	91,368	47,461	49,439	-	-
Property, plant and equipment	44,461	45,978	52,260	54,438	56,271	58,246
Exploration and evaluation	3,716,488	3,843,317	5,611,196	5,844,996	6,640,472	6,873,483
Total non-current assets	3,849,302	3,980,663	5,710,917	5,948,873	6,696,743	6,931,729
Total assets	7,858,073	8,126,238	10,559,290	10,999,261	13,087,270	13,546,497
Liabilities						
Trade and other payables	148,073	153,125	161,077	167,789	363,987	376,759
Employee benefits	70,264	72,662	60,671	63,199	103,416	107,045
Total current liabilities	218,337	225,787	221,748	230,988	467,403	483,804
Trade and other payables	-	-	12,000	12,500	11,697	12,107
Employee benefits	32,070	33,164	29,069	30,280	52,808	54,661
Total non-current liabilities	32,070	33,164	41,069	42,780	64,505	66,768
Total liabilities	250,407	258,951	262,817	273,768	531,908	550,572
Net assets	7,607,666	7,867,287	10,296,473	10,725,493	12,555,362	12,995,925
Equity						
Share capital	12,456,865	12,881,970	12,456,865	12,975,901	12,456,865	12,893,971
Reserves	37,500	38,780	37,500	39,063	169,816	175,775
Accumulated losses	(4,886,699)	(5,053,463)	(2,197,892)	(2,289,471)	(71,319)	(73,822)
Total equity attributable to equity holders of the Company	7,607,666	7,867,287	10,296,473	10,725,493	12,555,362	12,995,924

conducted in accordance with AAS and consequently does not enable the auditor to obtain assurance that it would become aware of all significant matters that might be identified in an audit.

(c) Income statements

Set out below are Avocet's summary consolidated income statements as at 31 December 2012, 30 June 2012 and 30 June 2011. All amounts are rounded to the nearest one thousand dollars, except for basic and diluted earnings per share which are disclosed in cents.

	6 Months		6 Months		Year June 30 2011 (AUS\$) (Audited)	Year June 30 2011 (CAD\$) (Audited)
	December 31 2012 (AUS\$) (Unaudited)	December 31 2012 (CAD\$) (Unaudited)	Year June 30 2012 (AUS\$) (Audited)	Year June 30 2012 (CAD\$) (Audited)		
Other income	60,000	61,926	124,414	128,846	131,614	130,118
Gain on sale of tenements				-	4,659,840	4,606,861
Administrative expenses	(245,329)	(253,204)	(675,685)	(699,757)	(377,917)	(373,620)
Exploration expenditure written off	(62,202)	(64,199)	(1,762,792)	(1,825,592)	(109,257)	(108,015)
Asset impairment	(2,387,148)	(2,463,771)				
Other expenses	(140,059)	(144,555)	(242,335)	(250,968)	(400,865)	(396,307)
Results from operating activities	(2,774,738)	(2,863,802)	(2,556,398)	(2,647,471)	3,903,415	3,859,037
Finance income	87,251	90,052	285,938	296,125	245,920	243,124
Finance expense	(1,320)	(1,362)	(126)	(130)	-	-
Net finance income	85,931	88,689	285,812	295,995	245,920	243,124
Profit/(Loss) before income tax	(2,688,807)	(2,775,113)	(2,270,586)	(2,351,476)	4,149,335	4,102,161
Income tax expense		-		-	(46,850)	(46,317)
Income tax benefit	-	-	11,697	12,114	-	-
Profit/ (loss) for period	(2,688,807)	(2,775,113)	(2,258,889)	(2,339,362)	4,102,485	4,055,844
Total comprehensive income (loss) for the period attributable to the owners of the Group	(2,688,807)	(2,775,113)	(2,258,889)	(2,339,362)	4,102,485	4,055,844
Basic and diluted profit/ (loss) per share-cents	(2.55)	(2.58)	(2.14)	(2.16)	3.89	3.93

(d) Cash flow statements

Set out below are Avocet's summary consolidated cash flow statements at 31 December 2012, 30 June 2012 and 30 June 2011. All amounts are rounded to the nearest one thousand dollars.

	6 Months ended		6 Months ended		Year June 30 2011 (AUS\$) (Audited)	Year June 30 2011 (CAD\$) (Audited)
	December 31 2012 (AUS\$) (Unaudited)	December 31 2012 (CAD\$) (Unaudited)	Year June 30 2012 (AUS\$) (Audited)	Year June 30 2012 (CAD\$) (Audited)		
Cash flows from operating activities						
Cash receipts from customers	66,000	68,118	118,571	122,795	144,776	143,130
Cash paid to suppliers and employees	(447,652)	(462,021)	(1,135,029)	(1,175,465)	(974,450)	(963,371)
Net cash used in operating activities	(381,652)	(393,903)	(1,016,458)	(1,052,670)	(829,674)	(820,241)
Cash flows from investing activities						
Interest received	97,822	100,962	364,149	377,122	139,851	138,261
Proceeds from sale of plant and equipment	-	-	1,363	1,412	-	-
Acquisition of property, plant and equipment	(1,634)	(1,686)	(16,751)	(17,348)	(8,858)	(8,757)
Payments for exploration, evaluation and development	(452,839)	(467,374)	(694,301)	(719,036)	(1,564,524)	(1,546,737)
Government grant	-	-	25,000	25,891	-	-
Proceeds from sale of tenements	-	-	-	-	6,200,000	6,129,511
Net cash provide by/(used in) investing activities	(356,651)	(368,098)	(320,540)	(331,959)	4,766,469	4,712,278
Cash flows from financing activities						
Net cash from financing activities	-	-	-	-	-	-
Net decrease in cash and cash equivalents	(738,303)	(762,001)	(1,336,998)	(1,384,629)	3,936,795	3,892,037
Cash and cash equivalents at beginning of period	4,649,733	4,798,989	5,986,731	6,199,978	2,049,936	2,026,630
Foreign exchange on cash held		7,924		28,123		278,136
Cash and cash equivalents at end of period	3,911,430	4,044,912	4,649,733	4,843,472	5,986,731	6,196,803

(e) Material changes in financial position since last published accounts

Avocet's latest published financial statements are the reviewed financial statements for the half year ended 31 December 2012. These statements are contained in Avocet's financial report for that period, which was released to ASX on 14 March 2013. An electronic copy of this report can be downloaded from Avocet's website (www.avocetresources.com.au), and on ASX (www.asx.com.au).

To the knowledge of the Avocet Directors, there have been no material changes to the financial position of Avocet since 31 December 2012, except as disclosed in this Scheme Booklet.

(f) Forecast financial information

Avocet has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information. Avocet has concluded that, as at the date of this Scheme Booklet, it would be misleading to provide forecast financial information, as a reasonable basis does not exist for providing financial forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice.

(g) Key financial statistics

Set out below are key financial statistics for Avocet:

Cash as at 31 December 2012:	\$3,911,430
Current Debt as at 31 December 2012:	\$218,337
Non-Current Debt as at 31 December 2012:	\$32,070
Net Assets as at 31 December 2012:	\$7,607,666
Shares on issue as at 31 December 2012:	105,513,653
Options as at 31 December 2012:	500,000

(h) Anticipated future capital requirements

Avocet anticipates significant future capital requirements, far in excess of its current cash in hand, for:

- site construction and drilling on the Ashburton Project;
- the exploration programme on the Sierra Cuadrada Project;
- the exploration programme on the Cerro Chacon Project; and
- working capital.

7.5 Directors of Avocet

As at the date of this Scheme Booklet, the directors of Avocet are:

(a) Stephen Mann (Managing Director)

Mr Mann is a geologist with over thirty years industry experience in mineral exploration and development. Mr Mann graduated from Adelaide University with Honours and has since worked for Utah Development Group, BHP Minerals Ltd and Newcrest. He was subsequently employed by Cogema Australia Pty Ltd, (AREVA NC) firstly as Exploration Manager and then as Managing Director of its Australian subsidiaries devoted to gold and uranium exploration and gold mining. Mr Mann joined Avocet in 2006.

(b) Philip Lucas (Chairman)

Mr Lucas is a corporate lawyer with over 15 years' experience in the mining industry. He is a founding principal of the law firm, Pullinger Readhead Lucas, now Allion Legal, previously a partner at a national legal firm. He has extensive experience in advising ASX listed resource companies with respect to mining, corporate and governance issues.

(c) Stanley Macdonald (Non-executive Director)

Mr Macdonald is a major shareholder in Avocet and has been associated with the mining and exploration industry for over 20 years.

7.6 Avocet's issued securities

As at the date of this Scheme Booklet, the issued securities of Avocet comprise:

- (a) 105,513,653 ordinary shares; and
- (b) 500,000 unlisted options.

7.7 Litigation

Other than as disclosed in the Scheme Booklet, Avocet is not involved in any material legal disputes and is not a party to any material litigation as at the date of this Scheme Booklet.

7.8 Further information

For further information relating to Avocet, please visit Avocet's website (www.avocetresources.com.au) or the ASX website (www.asx.com.au).

8 Information about Lion One

8.1 Information about Lion One

The Lion One Information, including the information in this section of the Scheme Booklet, has been prepared and provided by Lion One and is the responsibility of Lion One. Neither Avocet nor its officers, employees or advisers assume any responsibility for the accuracy or completeness of the Lion One Information in this section.

8.2 Background and overview

Lion One was originally incorporated on 12 November 1996 under the name “X-Tal Minerals Corp.” (**X-Tal**) under the laws of the Province of British Columbia, Canada. The common shares of X-Tal were admitted to quotation on TSX-V (then known as the Vancouver Stock Exchange or VSE) on 14 October 1998 under the symbol “XTM”.

On 28 January 2011, Lion One changed its name to “Lion One Metals Limited” and was listed on the TSX-V under the symbol “LIO”.

Lion One’s securities are also quoted on the OTCQX tier of the OTC Market under the code “LOMLF” and the Frankfurt Stock Exchange under the code “LY1”.

Lion One is in the business of mineral exploration and development and is currently focused on the acquisition, exploration, and development of mineral resource properties in the Fijian islands.

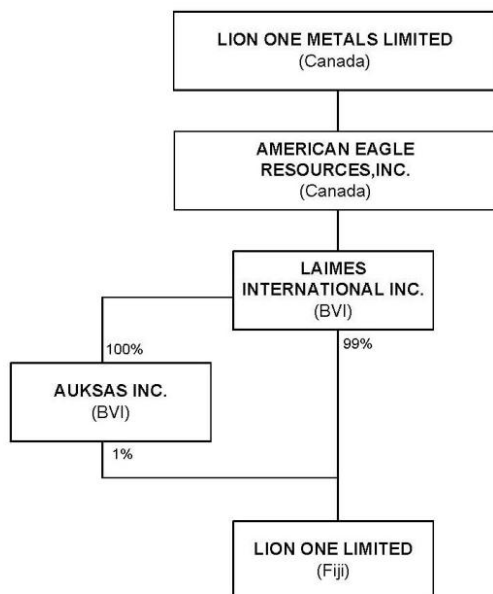
Lion One’s mineral tenements cover over 38,000 hectares under five exploration licenses (**Special Prospecting Licenses** or **SPL’s**) granted by Fiji’s Department of Mineral Resources (**DMR**). These tenements are positioned within the north east trend of mineralised volcanic centres that hosts Fiji’s known gold deposits.

Lion One’s primary asset is the development-stage Tuvatu Gold Project located near Nadi on the island of Viti Levu, which covers 3 of the 5 SPL’s, covering approximately 105km² in the upper Sabeto Valley, along Fiji’s corridor of mineralised volcanic centres, approximately 50 kilometres south-east of the Vatukoula gold deposit.

Lion One is currently in the process of renewing tenements that underlie its other Fijian projects, being the Delaikoro and Vunimoli Projects on the island of Vanua Levu, Fiji. These projects are both in the early stages of exploration.

8.3 Corporate structure

Lion One is the product of the reverse takeover transaction of X-Tal by American Eagle Resources Inc. (**AME**) that completed in January 2011. In September 2008, AME acquired Laimes International Inc. (a company incorporated in the British Virgin Islands) (**Laimes**), the company that holds 99% of Lion One Limited, which is the holder of the Tuvatu Gold Project. Akusas Inc. (a company also incorporated in the British Virgin Islands) and a subsidiary of Laimes, holds the other 1% of Lion One Limited.



8.4 Fiji geology

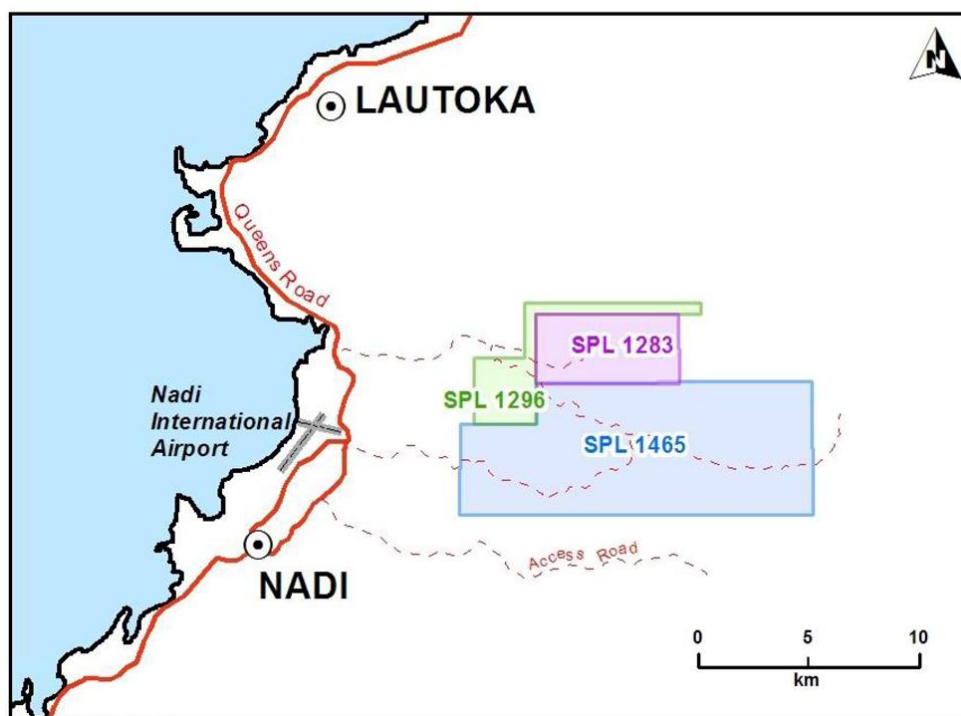
The Fijian Islands are situated along the margins of the SW Pacific Rim regional tectonic plate, the host of a number of world class epithermal gold-silver and porphyry copper-gold deposits that include Lihir, Porgera, Wafi Golpu, (Papua New Guinea) and Lepanto (Philippines).

8.5 Tuvatu Gold Project (SPL 1283, 1296 and 1465)

The Tuvatu Gold Project is located on the main Fijian island of Viti Levu.



Tuvatu Tenements



The Tuvatu Gold Project has been subject to significant historical exploration and development work by previous operators, the most recent being Emperor Mines Limited, which advanced the project through in-house feasibility studies, project engineering, and trial mining from 1997 to 2001.

In addition to the SPL's covering the project area, Lion One has acquired extensive exploration and development databases, including data from over 600 historic drill holes, metallurgical studies, mine models, historical resource and reserve estimates, engineering studies, and financial models.

Lion One's business objective is to advance the Tuvatu Project towards commercial production, through continued exploration and expansion of resources towards the establishment of an economically viable gold deposit.

Current mineral resources as reported in the "Technical Report and Resource Estimate on the Tuvatu Gold Property, Viti Levu, Fiji" dated October 1, 2010 by P&E Mining Consultants include inferred resources of 480,000 ounces of gold (2.618 million tonnes grading 5.71 g/t Au) and indicated resources of 172,000 ounces of gold (760,000 tonnes grading 7.05 g/t Au). Additional information with respect to the technical report is available on Lion One's website.

On 5 June 2012, Lion One announced that drilling had commenced at the Tuvatu Gold Project. In the second quarter of financial year 2013, Lion One continued its drilling program consisting of a combination of infill and step out holes for a total of 5,000 metres of diamond drilling. To date, Lion One has recovered 3,003 metres of core from 15 diamond drill holes.

Drilling is targeting western extensions of the mineralised structures in the Tuvatu Gold Project area, which have now been mapped at surface over a distance of 1km along strike west of the resource area, displaying consistent lateral continuity typical of many epithermal lode systems.

The drilling program has three objectives:

- (a) infill drilling to increase the confidence level of the existing resource;
- (b) step out drilling to expand the resource base; and
- (c) exploratory drilling to test additional targets.

Initial results confirmed high grades including the following significant intersections:

TUDDH-347	Intersected 3.78 m @ 16.15 g/t gold from 122 to 125.77 m (including 0.09 m @ 248 g/t gold)
TUDDH-348	Intersected 7.49 m @ 23.03 g/t gold from 155.05 to 162.54 m (including 0.11 m @ 855 g/t gold)
TUDDH-349	Intersected 11.9 m @ 11.77 g/t gold from 128.55 to 140 m (including 0.03 m @ 37.7 g/t gold)

Lion One expects to increase the resource base through continued drilling and is confident that additional near surface mineralisation identified to date can also be converted to mineral resources with additional drilling, and management believes the addition of lower-cost oxide resources near surface will significantly enhance the economics of the project in the initial years of development. Drilling is expected to lead to an updated resource estimate that will support a Preliminary Economic Assessment (PEA)/Scoping Study. Management is confident that a PEA will support the continued exploration and development of the Tuvatu Project followed by eventual production.

Lion One has commissioned an independent environmental resource consultant to prepare an Environment Impact Assessment Study. This study is required by Fiji's Mineral Resources Department for Lion One to obtain a mining licence. The consultant and environmental staff are also providing an environmental overview of the drilling program, corresponding drill hole rehabilitation and ground and river water monitoring as Lion One continues its dewatering process.

Lion One has escalated its consultations with landowners and communities as it works towards meeting the requirements of obtaining a mining licence. The consultation process includes discussing environmental issues, discussions on the exploration activities, addressing concerned interest groups and continuing land lease negotiations.

Lion One is focused on the following strategic priorities with respect to the Tuvatu property:

- (a) resource expansion, exploration, and development of the Tuvatu Gold Project;
- (b) regional exploration near Tuvatu and early-stage exploration on Viti Levu and Vanua Levu;
- (c) sourcing capital for continued exploration, development of assets, and future exploration and acquisitions;
- (d) working with the Fijian government departments to secure environmental permits and convert exploration licences to mining licences; and
- (e) updating historic feasibility study to reflect the current economic environment.

8.6 Vunimoli and Delaikoro Projects (SPL 1267 and 1468)

Lion One's two projects on the island of Vanua Levu are positioned within the northeast trending lineament of volcanic centres in Fiji. Both mining tenures combine to cover an area of 27,489 hectares.

The Vunimoli Project covers 22,000 hectares in the provinces of Macuata and Cakaudrove on the island of Vanua Levu. The tenement area consists of a volcanic-sedimentary sequence intruded by the Korotari Andesite complex. Gold and copper mineralisation in the area is intimately associated with this multi-stage andesite intrusion.

The Delaikoro Project covers 5,489 hectares approximately 20km from the town of Labasa in the provinces of Macuata and Cakaudrove on the island of Vanua Levu, centered on the volcanic center of Mount Delaikoro.

Lion One is currently in the process of renewing tenements that underlie the Vunimoli and Delaikoro Projects. These projects are both in the early stages of exploration. Lion One expects the renewals to be granted in due course.



8.7 Directors

(a) Walter Berukoff (Chairman and Chief Executive Officer)

Walter H. Berukoff is the founder, Chairman and Chief Executive Officer of Lion One. Previously, Mr Berukoff was the founder and C.E.O. of Miramar Mining Corporation, Northern Orion Resources, and La Mancha Resources, and has operated or commissioned gold mines in seven countries. Mr Berukoff is also Managing Director of Red Lion Management, a merchant banking company, and has raised over \$1 billion for global mining and real estate projects.

(b) George Young (President and Director)

George Young is the President of Lion One. Mr Young has over 35 years of experience in the mining industry. Prior to joining Lion One, Mr Young was Vice President and Director of International Royalty Corp. (2003-2008), and was President of MAG Silver Corp. (2002-2005). Previous positions include acting as General Counsel and Acting General Manager

of the Intermountain Power Agency in Utah (1984-1988) and General Counsel of Bond International Gold (1988-1990, and President and CEO of Oro Belle Resources Ltd (1996-1998). Mr Young started his career as a metallurgist at Kennecott Copper Corp. in Utah. He received a B.S. in Metallurgical Engineering from the University of Utah in 1975 and a J.D. from the University of Utah, College of Law, in 1979. Mr Young has also engaged in the private practice of law in Salt Lake City, Utah, and is a former Chair of the Utah Section of the Society of Mining Engineers and a member (inactive) of the State Bar Associations of Colorado, Utah, and Texas.

(c) Hamish Greig (Vice President and Director)

Mr Greig was appointed as Director and Vice President of Lion One in June 2012, having previously held the positions of Corporate Secretary and VP Investor Relations. Mr Greig was a member of the management group of American Eagle Resources Inc. that merged with X-Tal Minerals Corp. to form Lion One Metals in January 2010, and was involved in Lion One's initial private placement financings. Prior to joining Lion One, Mr Greig was an officer and director of several TSX-V listed companies and has raised directly, or indirectly, over \$50 million in private placement financings over a 12 year period. He has experience in various public market roles including investor relations, corporate finance, and corporate administration.

(d) Richard Meli (Director)

Richard Meli is a director of Lion One, having been a director of its predecessor company since 2004. He is an independent businessman and a former senior executive at Rio Tinto (1996-1999) where he managed the company's global mergers and acquisitions and President of Rio Tinto subsidiary Luzenac America (1999-2001). From 2001 to 2004, Mr Meli was an independent consultant to the mining and oil and gas industries and was President of La Mancha Resources (2004 - 2006). From 1980, Mr Meli worked for Kennecott Corp., then one of the world's largest copper producers, which was acquired by Rio Tinto in 1989. At Kennecott, Mr Meli served in a number of planning, analysis and financial management positions, including, lastly as Senior Vice President. Mr Meli began his career with PricewaterhouseCoopers (formerly known as Price Waterhouse & Co.) in 1971, spending eight years in the firm's New York office, becoming a CPA and reaching the level of Audit Manager. He earned a B.S. in Economics in 1969 and an M.S. in Accounting in 1971, both from The Wharton School at the University of Pennsylvania.

(e) David Duval (Director)

David Duval is a director of Lion One, having been appointed to the Board of its predecessor company in 2009. During a minerals industry career that spans approximately 40 years, Mr Duval has visited more than 400 exploration projects and operating mines. He has more than a decade of experience in underground mining operations including production supervision, mine planning and shaft sinking. He has served as a director and/or officer of several exploration and production companies including Princeton Mining Corp. and Primary Corp., a TSX-listed investment bank. In the 1990s, he served as a Technical Advisor to the United Nations and Royal Government of Thailand, coordinating the feasibility study for the \$500 million ASEAN Potash Project in north-eastern Thailand. He also served as Special Advisor to the Chairman of Tanzanian Royalty, a publicly traded royalty company with an advanced stage gold project in Tanzania. Mr Duval's journalism career encompasses both print and electronic media. He was formally the Western Editor of The Northern Miner, the largest weekly mining

publication in the world. As the co-author of "New Frontiers in Diamonds" he is recognised internationally as an authority on the Canadian diamond industry. In 2002, Mr Duval co-founded JSMiner.com, an online newsletter and web traffic leader with a readership base in more than 100 countries. An Engineering Technologist, Mr Duval graduated from the Haileybury School of Mines in 1969.

(f) Stephen Mann (Director)

For a profile of Mr Mann, please refer to **section 7.5(a)** above.

8.8 Historical financial information

Lion One is a resident of Canada for tax purposes and prepares its annual report in accordance with International Financial Reporting Requirements (IFRS) as issued by the International Accounting Standards Board, Lion One presents its financial information in Canadian Dollars (CAD\$).

The Lion One historical financial information provided below has been extracted from the audited consolidated financial statements of Lion One for the financial years ended 30 June 2012 and 2011 and the reviewed condensed consolidated interim financial statements for the six month period ended 31 December 2012.

For the purposes of the disclosure of Lion One's financial information prepared in accordance with IFRS, financial information included in the extracts below have been converted to and presented in Australian Dollars (AUD\$) as follows:

- (a) items of income and expense and cash inflows and cash outflows have been converted based on the average exchange rate for the relevant period;
- (b) assets and liabilities have been converted based on the closing exchange rates at 31 December 2012 and 30 June 2012 and 2011; and
- (c) due to the extended history of operations of Lion One, details of all equity transactions and the exchange rate prevailing at the date of the transactions have not been able to be specifically identified, nor has management attempted to estimate them. As a result, equity items have been converted based on the closing exchange rates at 31 December 2012 and 30 June 2012 and 2011.

This information is set out in abbreviated form and does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of Lion One as the full consolidated financial statements. Copies of Lion One's annual financial statements for the years ended 30 June 2012 and 2011, including the independent auditor's reports, are available under Lion One's profile on SEDAR (www.sedar.com). Information on Lion One's website does not constitute a part of this booklet and should not be considered in deciding how to vote on the Scheme.

(a) Consolidated Statements of Financial Position

	December 31, 2012 (CAD\$)	December 31, 2012 (AUD\$)	June 30, 2012 (CAD\$)	June 30, 2012 (AUD\$)	June 30, 2011 (CAD\$)	June 30, 2011 (AUD\$)
Consolidated Statements of Financial Position	(unaudited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 13,732,927	\$ 13,279,740	\$ 15,971,997	\$ 15,333,117	\$ 20,829,922	\$ 20,123,788
HST and VAT receivable	483,318	467,367	429,418	412,241	349,362	337,519
Other receivables	26,852	25,966	29,410	28,234	97,626	94,316
Prepaid expenses	12,012	11,616	16,256	15,606	13,612	13,151
Due from related parties	17,987	17,394	-	-	112,528	108,713
Deposits	30,007	29,017	31,093	29,849	58,426	56,445
	14,303,103	13,831,100	16,478,174	15,819,047	21,461,476	20,733,932
Restricted cash	75,000	72,525	75,000	72,000	75,000	72,458
Due from related parties	-	-	-	-	23,193	22,407
Property, plant and equipment	744,829	720,250	681,237	653,988	135,528	130,934
Exploration and evaluation assets	26,797,214	25,912,906	24,861,722	23,867,253	21,667,700	20,933,165
	\$ 41,920,146	\$ 40,536,781	\$ 42,096,133	\$ 40,412,288	\$ 43,362,897	\$ 41,892,896
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 179,253	\$ 173,338	\$ 129,324	\$ 124,151	\$ 209,646	\$ 202,541
Due to related parties	-	-	14,358	13,784	-	-
	179,253	173,338	143,682	137,935	209,646	202,541
Shareholders' equity:						
Share capital	54,248,397	52,458,200	54,118,197	51,953,469	53,079,914	51,280,505
Warrants	-	-	-	-	1,613,399	1,558,705
Contributed surplus	18,318,410	17,713,902	18,205,973	17,477,734	15,927,009	15,387,083
Accumulated other comprehensive income	1,528,848	1,478,396	932,258	894,968	616,214	595,324
Deficit	(32,354,762)	(31,287,055)	(31,303,977)	(30,051,818)	(28,083,285)	(27,131,262)
	41,740,893	40,363,443	41,952,451	40,274,353	43,153,251	41,690,355
	\$ 41,920,146	\$ 40,536,781	\$ 42,096,133	\$ 40,412,288	\$ 43,362,897	\$ 41,892,896

(b) Consolidated Statements of Operations and Comprehensive Loss

	Six months ended December 31, 2012 (CAD\$)	Six months ended December 31, 2012 (AUD\$)	Year ended June 30, 2012 (CAD\$)	Year ended June 30, 2012 (AUD\$)	Year ended June 30, 2011 (CAD\$)	Year ended June 30, 2011 (AUD\$)
Consolidated Statements of Operations and Comprehensive Loss	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)
GENERAL AND ADMINISTRATIVE EXPENSES						
Consulting fees	\$ 114,941	\$ 111,366	\$ 234,800	\$ 226,723	\$ 187,462	\$ 189,618
Foreign exchange (gain) loss	76,422	74,045	38,649	37,319	(74,586)	(75,444)
Licenses, dues and other fees	18,640	18,060	39,509	38,150	8,447	8,544
Investor relations	91,966	89,106	366,636	354,024	269,857	272,960
Management fees	419,946	406,886	993,177	959,012	455,622	460,862
Office and miscellaneous	13,569	13,147	63,562	61,375	33,975	34,366
Professional fees	29,345	28,432	109,044	105,293	111,809	113,095
Rent	90,000	87,201	180,063	173,869	72,829	73,667
Shareholder communications and regulatory filings	41,090	39,812	59,883	57,823	35,645	36,055
Stock based compensation	215,905	209,190	1,228,042	1,185,797	1,176,120	1,189,645
Travel	38,733	37,528	141,283	136,423	216,661	219,153
Operating loss	1,150,557	1,114,773	3,454,648	3,335,808	2,493,841	2,522,521
OTHER INCOME						
Listing fee	-	-	-	-	6,104,347	6,174,547
Interest income	(99,772)	(96,669)	(233,956)	(225,908)	(90,702)	(91,745)
Net loss for the period	1,050,785	1,018,104	3,220,692	3,109,900	8,507,486	8,605,323
OTHER COMPREHENSIVE INCOME						
Foreign exchange gain	(596,590)	(578,036)	(316,044)	(305,172)	(616,214)	(623,300)
Comprehensive loss for the period	\$ 454,195	\$ 440,068	\$ 2,904,648	\$ 2,804,728	\$ 7,891,272	\$ 7,982,023
Basic and diluted loss per share	\$ 0.02	\$ 0.02	\$ 0.07	\$ 0.06	\$ 0.28	\$ 0.28
Weighted average common shares outstanding	48,868,827	48,868,827	48,663,656	48,663,656	30,331,755	30,331,755

(c) Consolidated Statements of Cash Flows

	Six months ended December 31, 2012 (CAD\$) (Unaudited)	Six months ended December 31, 2012 (AUD\$) (Unaudited)	Year ended June 30, 2012 (CAD\$) (Audited)	Year ended June 30, 2012 (AUD\$) (Unaudited)	Year ended June 30, 2011 (CAD\$) (Audited)	Year ended June 30, 2011 (AUD\$) (Unaudited)
Consolidated Statements of Cash Flows						
Cash provided by (used in):						
Operations:						
Net loss for the period	\$ (1,050,785)	\$ (1,018,104)	\$ (3,220,692)	\$ (3,109,900)	\$ (8,507,486)	\$ (8,605,323)
Items not involving cash:						
Stock based compensation expense	215,905	209,190	1,228,042	1,185,797	1,176,120	1,189,645
Foreign exchange (gain) loss	76,422	74,045	38,649	37,319	(74,586)	(75,444)
Listing fee	-	-	-	-	6,104,347	6,174,547
Changes in non-cash operating working capital:						
HST and VAT receivable	(53,900)	(52,224)	(80,056)	(77,302)	(235,042)	(237,745)
Prepaid expenses	4,244	4,112	(2,644)	(2,553)	(8,079)	(8,172)
Other receivables	2,557	2,477	68,216	65,869	(97,626)	(98,749)
Deposits	1,087	1,053	27,333	26,393	(39,113)	(39,563)
Accounts payable and accrued liabilities	49,929	48,376	(80,322)	(77,559)	(112,451)	(113,744)
	(754,541)	(731,075)	(2,021,474)	(1,951,936)	(1,793,916)	(1,814,548)
Financing:						
Due to related parties	(32,345)	(31,339)	14,358	13,864	(694,230)	(702,214)
Share issuance costs	-	-	(226)	(218)	(1,397,598)	(1,413,670)
Issuance of shares on exercise of agent's warrants	-	-	275,620	266,139	2,430	2,458
Issuance of shares from private placement	-	-	-	-	14,269,345	14,433,442
Issuance of shares on exercise of options	-	-	88,084	85,054	79,854	80,772
Due from related party	-	-	135,721	131,052	(23,193)	(23,460)
Due to X-Tal Minerals Corp.	-	-	-	-	232,112	234,781
	(32,345)	(31,339)	513,557	495,891	12,468,720	12,612,109
Investments:						
Purchase of equipment	(90,158)	(87,354)	(603,111)	(582,364)	(120,812)	(122,201)
Increase in restricted cash position	-	-	-	-	(75,000)	(75,863)
Exploration expenditures	(1,362,764)	(1,320,382)	(2,796,297)	(2,700,104)	(1,293,163)	(1,308,034)
Cash acquired in RTO with X-Tal	-	-	-	-	11,517,504	11,649,955
	(1,452,922)	(1,407,736)	(3,399,408)	(3,282,468)	10,028,529	10,143,857
Effect of exchange rate changes on cash and cash equivalents	738	116,773	49,400	(52,158)	(13,982)	(974,142)
Decrease in cash and cash equivalents	(2,239,070)	(2,053,377)	(4,857,925)	(4,790,671)	20,689,351	19,967,276
Cash and cash equivalents, beginning of period	15,971,997	15,333,117	20,829,922	20,123,788	140,571	156,512
Cash and cash equivalents, end of period	\$ 13,732,927	\$ 13,279,740	\$ 15,971,997	\$ 15,333,117	\$ 20,829,922	\$ 20,123,788

8.9 Information about Lion One's securities

(a) Lion One Shares

As at the date of this Scheme Booklet, Lion One had 49,068,827 Lion One Shares on issue. Further information about Lion One Shares is provided in **section 8.9(f)**.

If the Scheme becomes Effective, a further 11,106,700 Lion One Shares will be issued as Scheme Consideration in respect of the Avocet Shares to be acquired under the Scheme (ignoring the effects of rounding and assuming that no Avocet Options are exercised before the Record Date).

(b) Lion One Options

As at the date of this Scheme Booklet, Lion One had 3,363,667 unquoted Lion One Options on issue, as detailed below:

Expiry Date	Exercise Price	Number
9 February 2014	\$0.35	140,000
1 March 2014	\$0.35	375,000
1 April 2015	\$0.35	680,000

Expiry Date	Exercise Price	Number
25 October 2015	\$1.00	608,667
25 May 2016	\$1.40	435,000
20 July 2016	\$1.40	200,000
2 November 2016	\$1.40	25,000
11 October 2017	\$0.70	775,000
25 February 2018	\$0.70	125,000
	Total	3,363,667

(c) Lion One substantial shareholders

Based on information known to Lion One, Lion One had the following substantial shareholders as at the date of this Scheme Booklet:

Lion One Shareholder	Number of Lion One Shares Held	Percentage of issued Lion One Shares
Walter Berukoff ¹	18,921,772	38.56%
Pala Investments	3,225,806	6.57%
Franklin Templeton	2,935,000	5.98%

Notes:

- 1,355,000 Lion One Shares held by Walter Berukoff. 14,109,744 Lion One Shares held by Laimes Global Inc., 3,456,028 Lion One Shares held by Red Lion Equities and 1,000 Lion One Shares held by Red Lion Management.

(d) Interests of Lion One Directors in Lion One Securities

Director	Lion One Shares	Lion One Options
Walter Berukoff	18,921,772 ¹	-
George Young	500,000 ²	480,000 ²
Hamish Greig	200,000 ³	410,000 ³
Richard Meli	-	100,000 ⁴
David Duval	-	175,000 ⁵
Stephen Mann	-	-
Total	19,621,772	1,165,000

Notes:

- 1,355,000 Lion One Shares held by Walter Berukoff. 14,109,744 Lion One Shares held by Laimes Global Inc., 3,456,028 Lion One Shares held by Red Lion Equities and 1,000 Lion One Shares held by Red Lion Management.

2. 385,000 Lion One Shares, 80,000 Lion One Options exercisable at \$1.00 on or before 25 October 2015 and 400,000 Lion One Options exercisable at \$0.35 on or before 1 March 2015 held by George Young. 115,000 Lion One Shares held by Mrs Miranda Berukoff on Mr Young's behalf.
3. 154,000 Lion One Shares, 46,000 Lion One Shares held by Mrs Miranda Berukoff on behalf of Mr Greig. 50,000 Lion One Options exercisable at \$0.70 on or before 11 October 2017, 140,000 Lion One Options exercisable at \$0.35 on or before 1 April 2015, 120,000 Lion One Option exercisable at \$1.00 on or before 25 October 2015 and 100,000 Lion One Options exercisable at \$1.40 on or before 25 May 2016.
4. 100,000 Lion One Options exercisable at \$0.35 on or before 1 March 2014.
5. 75,000 Lion One Options exercisable at \$0.35 on or before 9 February 2014 and 100,000 Lion One Options exercisable at \$0.35 on or before 1 March 2014.

(e) Lion One CDIs and Lion One Shares

See **section 6.3** for an outline of the key features of, and principal differences between, Lion One Shares and Lion One CDIs.

(f) Recent Lion One share price performance

The last recorded sale price of Lion One Shares traded on TSX-V before the public announcement of the proposed Merger was CAD\$0.72 on 21 December 2012.

The latest recorded sale price of Lion One Shares on TSX-V before the date on which the Scheme Booklet was lodged for registration with ASIC was CAD\$0.47 on 16 April 2013.

During the three month period immediately preceding the date on which the Scheme Booklet was lodged for registration with ASIC, the highest and lowest recorded sale prices of Lion One Shares on TSX-V were, respectively, CAD\$0.91 on 3 January 2013 and CAD\$0.5 on 22 and 25 March 2013.

Neither the Lion One Share prices given above, nor the historical share price information contained in the figure above, should be taken as necessarily being an indication of the likely Lion One Share price following implementation of the Merger.

8.10 Lion One stock option plan

Lion One has a stock option plan which provides for the granting of Lion One Options to purchase a maximum of 10% of the total issued and outstanding Lion One Shares to eligible recipients (**Option Plan**).

The number of shares reserved for the exercise of all Lion One Options granted under the Option Plan may be altered by a general meeting of shareholders.

The Option Plan was adopted by the Lion One Board and was ratified, confirmed and approved by Lion One Shareholders on 21 December 2010.

All Lion One Options currently on issue have been granted pursuant to the Option Plan. A summary of the Lion One Options on issue as at the date of this Scheme Booklet is set out at **section 8.9(b)** above.

Persons entitled to participate in the Option Plan include directors, officers, employees or consultants of Lion One or any of its subsidiaries or an individual employed by a person who is

providing management services to Lion One as determined in accordance with applicable policies or rules of TSX-V.

Generally, Lion One Options granted pursuant to the Option Plan vest over a period of one to three years and the term of a Lion One Option may not exceed five years.

All Lion One Options granted under the Option Plan are non-transferable and non-assignable, except by will or by the laws of succession.

The Option Plan has the following key features:

- (a) the option exercise price cannot be less than the “market price” of Lion One Shares on the date of the grant;
- (b) the option exercise price may be reduced by a resolution of the Lion One Board in its discretion; however, in the case of “insiders”, the reduction shall be approved by a majority of disinterested Lion One Shareholders;
- (c) the maximum number of Lion One Shares that may be reserved for issuance to any one person under the Option Plan, together with the aggregate number of Lion One Shares reserved for issuance to that person under an established or proposed share compensation arrangement is 5% of the Lion One Shares issued and outstanding at the time of grant;
- (d) the maximum number of Lion One Shares that may be reserved for issuance to insiders under the Option Plan, together with the aggregate number of Lion One Shares reserved for issuance to insiders under an established or proposed share compensation arrangement is 10% of the Lion One Shares issued and outstanding at the time of grant;
- (e) the number of Lion One Shares that may be reserved for issuance to insiders, associates of insiders, consultants and employees providing investor relations services to Lion One within a 12 month period is capped;
- (f) Lion One Options are subject to early termination in the event that a recipient ceases to be an eligible recipient under the Option Plan;
- (g) the Lion One Board may amend or discontinue the Option Plan at any time, provided that no such amendment materially and adversely affects the rights of any Lion One Options previously granted under the Option Plan without the consent of the relevant holder, except to the extent required by law;
- (h) in the event Lion One proposes to amalgamate, merge or consolidate with any other company or to liquidate, dissolve or wind-up or where an offer is made to all Lion One Shareholders to purchase Lion One Shares or any part thereof (i.e. a takeover offer is made), Lion One has the right to permit exercise of all Lion One Options within 30 days of giving notice of same and to determine that on expiration of that 30 days that those Lion One Options that haven’t been exercised expire;
- (i) the Lion One Board may accelerate the date on which any Lion One Option may be exercised or, subject to applicable regulatory provisions, extend the expiration date of any Lion One Option; and
- (j) the Lion One Board may, subject to applicable regulatory provisions, determine that holders of Lion One Options may retain their Lion One Options regardless of their termination as an employee or director of Lion One.

8.11 Transactions with related parties

(a) Management and Corporate Services Agreement

On 8 November 2011, Lion One entered into a Management and Corporate Services Agreement (**Services Agreement**) with Cabrera Capital Corp. (**Cabrera**), a company having directors and senior officers in common with Lion One.

Under the Services Agreement, Cabrera agrees to provide a fully furnished and equipped business premises as well as management, business administration, shareholder services, securities administration, and corporate and general administration services to Lion One for an initial period of five (5) years from the date of the Services Agreement.

Lion One has agreed to pay Cabrera a monthly fee equal to the actual out of pocket expenses incurred by Cabrera, its advisers, sub-agents and employees in connection with the provision of these services and any additional direct costs associated with providing these services. In addition, Lion One has agreed to pay C\$15,000 per month in rent for its office premises.

Lion One can terminate the Services Agreement at any time by paying Cabrera the sum equal to the average monthly fee paid to Cabrera since 31 January 2011, multiplied by 12 plus rent until termination takes effect.

As disclosed in the Lion One's most recent Management's Discussion and Analysis filing for the three and six months ended 31 December 2012, management fees of \$472,663 and rent of \$90,000 were incurred during the six month period ended 31 December 2012. Included in these management fees are wages and employee benefits paid to employees and senior management of \$368,936.

(b) Royalty Agreement

On 1 October 2010, Lion One, through its 100% owned subsidiary, American Eagle Resources Inc. (**AME**), entered into a Royalty Agreement with Laimes Global Inc. (**Laimes**), a company having directors and senior officers in common with Lion One.

Under the Royalty Agreement, in return for providing letters of financial capability to the Fijian Government and for providing ongoing financial support to AME for the maintenance and advancement of the Fijian projects, AME has agreed to pay Laimes a perpetual production royalty of 0.5% to 1.5% of net smelter returns (**NSR**) over its Fijian properties. The percentage of NSR is determined based on the price of gold at the relevant time using the average monthly spot price of gold as reported on the London Bullion Market Association.

As Lion One has not entered into production in relation to any of its Fijian projects, no royalties have been paid to date under this agreement.

8.12 Legal disputes

Other than as disclosed in the Scheme Booklet, Lion One is not involved in any material legal disputes and is not a party to any material litigation as at the date of this Scheme Booklet.

9 Information about the Merged Group

This section of the Scheme Booklet contains information in relation to the Merged Group that will be created if the Scheme is implemented.

9.1 Future direction of the Merged Group

The effect of the Scheme is that Avocet will become a subsidiary as a result of Lion One acquiring all the issued Shares in Avocet.

On implementation of the Merger, Lion One will continue to be a company existing under the laws of Canada and listed on the TSX-V, FSE and OTCQX, and former Avocet Shareholders (other than Ineligible Foreign Shareholders and Electing Small Shareholders) will hold Lion One Shares (in the form of CDIs), tradeable on the ASX. Following the Merger, the Merged Group will have its registered office and operational management located in Canada.

Lion One Shares will be listed on TSX-V and Lion One CDIs will be quoted on ASX.

Lion One's strategy for the Merged Group going forward is to continue to focus on the acquisition, exploration and development of prospective mineral resource properties. The Merger is consistent with this strategy.

The Merged Group will have a stronger balance sheet with a pro forma cash position of approximately C\$18 million and a market capitalisation exceeding C\$35 million (as at the Announcement Date) to be applied towards progressing the exploration and eventual development of the Merged Group's assets.

Merging Avocet's assets with Lion Ones is consistent with Lion One's strategy, and will allow Lion One (through the Merged Group) to enhance its ability to manage the development of its key gold asset at Tuvatu near Nadi, be better positioned to contemplate opportunities in Australasia and around the world that may not have previously been possible, and have enhanced access to capital markets through market listings in Canada, USA, and Europe, in addition to Australia.

The Merged Group will have three substantial project centres:

- **Tuvatu:** the Tuvatu Gold Project is situated in the Sabeto Valley, Fiji, approximately 50km southeast of the 11 million ounce Vatukoula gold deposit. A drilling program is currently underway, the aim of which is to carry out infill drilling to increase the confidence level of the existing resource, step out drilling to expand the resource base, and exploratory drilling to test additional targets. Drilling is expected to lead to an updated resource estimate in preparation for taking the project into production;
- **Olary Creek:** the Olary Creek Project is located 70 kilometres from Broken Hill, South Australia, with ready access to roads, rail and port facilities. Two drilling programmes were completed in 2012 targeting a significant portion of the siltstone hosted Braemer Iron Formation which is highly prospective for bulk magnetite iron ore deposits in the region; and
- **Ashburton:** the Ashburton Project is situated south of Paraburdoo, Western Australia and comprises 19 exploration tenements prospective for gold, silver, rare earths and base metals, in addition to unconformity style uranium mineralisation. 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 between Avocet and Cameco Australia, and the three remaining tenements form part of the Saltwater Pool Joint Venture between Avocet, and Thundelarra Exploration and Cullen Resources.

9.2 Board of Directors of the Merged Group

Upon implementation of the Scheme, it is proposed that the board of directors of the Merged Group will comprise of all of the current directors of Lion One, being Mr Walter Berukoff, Mr George Young, Mr Richard Meli, Mr David Duval, Mr Stephen Mann and Mr Hamish Greig.

Names, background details and qualifications of the Lion One directors are set out in **section 8**.

9.3 Principal activities and assets of the Merged Group

If the Scheme is implemented, the Merged Group will hold a diverse portfolio of assets at varying stages of exploration. The consolidation of Avocet under the Lion One group of companies establishes a separate uranium, precious metals and iron ore division which will sit alongside Lion One's gold division and other strategic investments and growth assets.

The Merged Group will be a larger company, which will have the technical and financial capacity to advance the Merged Group's assets. The Merged Group will also have a diversified risk profile by spreading its shareholder interests across different commodities and geographic locations.

The descriptions of the assets of Avocet and Lion One in sections 7 and 8 respectively are considered to provide an accurate outline of the assets of the Merged Group.

9.4 Resources, reserves and exploration targets

As at 31 December 2012, the resources of the Merged Group would have been as set out in the following table if the Merger had occurred on that date.

	Indicated Tonnes	Grade g/t Au	Oz. Au	Inferred Tonnes	Grade g/t Au	Oz.Au
Sulfides	760,000	7.05	172,000	2,502,000	5.78	465,000
Oxides	0	0	0	116,000	4.15	15,000
Total	760,000	7.05	172,000	2,618,000	5.71	480,000

9.5 Intentions

The current intentions of Lion One in relation to Avocet are set out in this section. These intentions have been formed on the basis of facts and information concerning Avocet, and the general business environment, which are known to Lion One at the time of preparation of this Scheme Booklet. The statements set out in this section are statements of current intention only and may vary as new information becomes available or circumstances change.

Lion One's current intentions are as follows:

(a) Corporate matters in relation to Avocet

If the Scheme is implemented, it is intended that:

- after the Implementation Date, Avocet will apply for termination of the official quotation of its shares on, and to have itself removed from the official list of the ASX;
- Avocet will be a wholly owned subsidiary of Lion One; and

- persons nominated by Lion One will be appointed directors of Avocet²⁹ in addition to the existing Board members of Avocet.

(b) Strategic direction

If the Scheme is implemented, the strategy of the Merged Group will be to continue to:

- (i) advance exploration of Lion One's Tuvatu Gold Project in Fiji through to development and production;
- (ii) explore Avocet's prospective exploration projects in Australia and Argentina; and
- (iii) actively seek and evaluate further mineral resource properties and growth opportunities.

(c) Continuation of Avocet's and Lion One's businesses

If the Scheme is implemented, Lion One intends that the business of Avocet will be integrated into Lion One's existing business but will otherwise be continued substantially in the same manner as it is presently being conducted.

The Merged Group will continue to review all aspects of the assets and operations of the Merged Group to identify ways to maximise value for all shareholders.

(d) Name of the Merged Group

The Merged Group will be called Lion One Metals Limited.

(e) Management and employees

Mr Stephen Mann will be the Managing Director of the Merged Group.

Other than this appointment, Lion One does not intend to make significant changes to the employee structure of Avocet for a minimum of two months from the date the Scheme becomes Effective.

Following completion of a thorough review of Avocet's business, Lion One will consider the extent to which any rationalisation of positions is appropriate. For example, to the extent that activities and functions, including certain corporate functions and the provision of specialist technical or professional services (such as finance and accounting, human resources, technology and communications) presently carried out by Avocet will be duplicated within the Merged Group, such duplication may be eliminated where it is strategically and economically efficient to do so.

It is possible that any rationalisation may result in the positions of some Avocet and/or Lion One employees becoming redundant. Employment decisions will, however, be made in the context of the expected continuing growth of the Merged Group, and Lion One believes significant redundancies are unlikely given the different nature of the Merged Group's activities. Any employee who is made redundant will receive, on redundancy, payments and other benefits in accordance with their contractual and other legal entitlements.

9.6 Ownership

As at the date of this Scheme Booklet there are 49,068,827 Lion One Shares and 3,363,667 Lion One unquoted options on issue. Lion One will issue approximately 11,106,700 Lion One Shares

²⁹ The board of Avocet will be reconstituted in this manner on or after the Effective Date (currently expected to be 4 June 2013).

(in the form of CDIs) pursuant to the Scheme (ignoring the effects of rounding). Immediately following implementation of the Merger (assuming that no Avocet Options or Lion One Options are exercised), existing Lion One shareholders will hold approximately 81.5% of the Lion One Shares on issue and Scheme Shareholders will hold approximately 18.5%³⁰ of the Lion One Shares (in the form of CDIs) on issue.

9.7 Pro Forma Financial Information

Set out below is an unaudited summary pro forma balance sheet of the Merged Group which has been prepared based on the consolidated balance sheet of Lion One as at 31 December 2012 (as shown in **section 8**) and the consolidated balance sheet of Avocet as at 31 December 2012 (as shown in **section 7.4**), including pro forma adjustments and reclassifications to account for the acquisition of Avocet by Lion One as though it had occurred on 31 December 2012. The Merged Group summary pro forma balance sheet is presented in an abbreviated form and does not include all the disclosures required by Australian Accounting Standards applicable to financial reports. The compilation of the Merged Group summary pro forma balance sheet has been reviewed by the Investigating Accountant, whose Investigating Accountant's Report is contained in **Annexure B** of this Scheme Booklet. Avocet Shareholders should note the scope and limitations of that Investigating Accountant's Report.

³⁰ For the purposes of this and the following percentage ownership calculations, New Lion One Shares that would have been received by Ineligible Foreign Shareholders and Electing Small Shareholders, but instead will be issued to the Sale Agent for sale, have been included as shares held by the Scheme Shareholders.

	Proforma Adjustments					Merged Group Summary Balance Sheet 31-Dec-12 CDN\$	Merged Group Summary Balance Sheet 31-Dec-12 A\$
	LION ONE Summary Balance Sheet 31-Dec-12 CDN\$	AVOCET Summary Balance Sheet 31-Dec-12 CDN\$	CDN\$	CDN\$	CDN\$		
		(Note 1)	(Note 2)	(Note 3)	(Note 4)		
CURRENT ASSETS							
Cash and cash equivalents	13,732,927	4,044,912				17,777,839	17,191,170
Receivables	528,157	73,627				601,784	581,925
Prepayments	12,012	27,036				39,048	37,759
Deposits	30,007	-				30,007	29,017
TOTAL CURRENT ASSETS	14,303,103	4,145,575	-	-	-	18,448,678	17,839,871
NON-CURRENT ASSETS							
Investments	-	-	6,308,170		(6,308,170)	-	-
Trade and other receivables	-	91,368				91,368	88,353
Property, plant and equipment	744,829	45,978				790,807	764,710
Capitalised exploration expenditure	26,797,214	3,843,317			(1,559,117)	29,081,414	28,121,727
Bonds	75,000	-				75,000	72,525
TOTAL NON-CURRENT ASSETS	27,617,043	3,980,663	6,308,170	-	(7,867,287)	30,038,589	29,047,315
TOTAL ASSETS	41,920,146	8,126,238	6,308,170	-	(7,867,287)	48,487,267	46,887,186
CURRENT LIABILITIES							
Payables	179,253	153,125				332,378	321,409
Employee benefits	-	72,662				72,662	70,264
Provisions	-	-				-	-
TOTAL CURRENT LIABILITIES	179,253	225,787	-	-	-	405,040	391,673
NON-CURRENT LIABILITIES							
Payables	-	-				-	-
Employee benefits	-	33,164				33,164	32,070
Provisions	-	-				-	-
TOTAL NON-CURRENT LIABILITIES	-	33,164	-	-	-	33,164	32,070
TOTAL LIABILITIES	179,253	258,951	-	-	-	438,204	423,743
NET ASSETS	41,740,893	7,867,287	6,308,170	-	(7,867,287)	48,049,063	46,463,443
SHAREHOLDERS' FUNDS							
Share capital and reserves	72,566,807	12,920,750	6,308,170	(38,780)	(12,901,550)	78,855,397	76,253,169
Accumulated losses	(30,825,914)	(5,053,463)		38,780	5,034,263	(30,806,334)	(29,789,725)
TOTAL SHAREHOLDERS' FUNDS	41,740,893	7,867,287	6,308,170	-	(7,867,287)	48,049,063	46,463,444
Note 1	Represents the balance sheet of Avocet as at 31 December 2012 extracted from the interim financial report, translated at the year end AUD:CDN exchange rate.						
Note 2	The issue of LionOne ordinary shares in consideration for the acquisition of Avocet. This share based payment has been determined based fair value of Avocet as valued by the Independent Expert.						
Note 3	Expiration of 500,000 options issued to W Berukoff by Avocet upon acquisition of Avocet by LionOne.						
Note 4	Elimination of pre-acquisition net assets of Avocet Resources Limited						

(a) Basis of preparation

The Merged Group summary pro forma balance sheet has been prepared by making adjustments to the Lion One Summary Balance Sheet set out in **section 8.8** of this Scheme Booklet to show the impact of acquiring Avocet on the Lion One Pro Forma Balance Sheet at 31 December 2012 as if it had occurred on that date ("the Merged Group Pro Forma Adjustments").

The Merged Group summary pro forma balance sheet has been prepared by Lion One in accordance with Australian Accounting Standards and presented in Australian Dollars (AUD\$) (and also CAD\$). The significant accounting policies used in the preparation of the Merged Group summary pro forma balance sheet are consistent with Avocet's accounting policies for the six months ended 31 December 2012.

The Merged Group summary pro forma balance sheet is not intended to reflect the financial position that will actually result should the Scheme be complete on the dates

indicated. The Merged Group summary pro forma balance sheet is not represented as being indicative of Lion One's views on its future financial position.

The Merged Group summary pro forma balance sheet should be read in conjunction with the rest of this Scheme Booklet, the consolidated financial statements and related notes of Lion One and Avocet identified above, and other information that Lion One has filed with Canadian Provincial Securities Regulators and TSX through SEDAR and that Avocet has filed with ASIC and ASX, respectively.

(b) Pro forma assumptions and adjustments

The acquisition of Avocet has been accounted for as an acquisition of assets rather than a business combination in accordance with Australian Accounting Standards. The consideration of the New Lion One Shares being offered, having a fair value of CAD\$6.3m was allocated to the assets and liabilities acquired based on their relative fair values. The consideration assumes Lion One will issue 11,106,500 New Lion One Shares under the Scheme to the Shareholders of Avocet. The acquisition cost also included transaction costs of CAD\$ nil.

The following Merged Group Pro Forma Adjustments have been made:

1. Conversion of Avocet's summary consolidated balance sheet, extracted from Avocet's reviewed financial statements for the half-year ended 31 December 2012, translated at the applicable year-end and historical AUD:CAD exchange rate to CAD\$.
2. Issue of additional share capital by Lion One - An increase in Lion One's share capital of CAD\$6.3 million to reflect the New Lion One Shares issued as consideration for the acquisition of the outstanding shares and options of Avocet under the Scheme.
3. Expiration of 500,000 Avocet Options issued to W. Berukoff by Avocet upon acquisition by Lion One.
4. Elimination of Avocet's Shareholders' equity (assumed to be the pre-acquisition equity) - Lion One shareholders' equity, comprised of share capital, reserves and accumulated losses, have been eliminated to reflect the effect of the Scheme. The following eliminations/adjustments have been made:
 - share capital and reserves of CAD\$12.9 million as at 31 December 2012 have been eliminated;
 - Accumulated Losses of CAD\$5.0 million as at 31 December 2012 has been eliminated; and
 - allocation of the acquisition cost to the assets acquired – Exploration and evaluation expenditure has been decreased by CAD\$1.6 million to reflect the difference between the fair value and net assets acquired by Lion One under the Scheme.

9.8 Financial forecasts

Avocet and Lion One have given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information. Avocet and Lion One have concluded that, as at the date of this Scheme Booklet, it would be misleading to provide forecast financial information, as a reasonable basis does not exist for providing financial

forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice.

The financial performance of the Merged Group in any period will be influenced by various factors that are outside the control of the directors and that cannot, at this time, be predicted with a high level of confidence. In particular, the financial performance of the Merged Group will be materially affected by:

- world commodity prices;
- exploration success and mine development;
- recovery rates;
- exchange rates;
- weather conditions;
- political stability; and
- labour stability.

Avocet and Lion One do not have an established practice of issuing financial forecasts given the potential impact of the considerations shown above and the status of development of current and future projects.

9.9 Capital structure and listing information

Lion One's capital structure will remain unchanged as a result of the Merger, other than for the issue of New Lion One Shares to Scheme Shareholders.

Accordingly, assuming that all of the Avocet Options are cancelled, upon implementation of the Merger, Lion One's capital structure is likely to comprise:

- (a) 60,175,527 Lion One Shares (11,106,700 of which will be held (in the form of CDIs) by Scheme Shareholders, ignoring the effect of any sale by the Sale Agent³¹ – see **section 6** for further details); and
- (b) 3,363,667 Lion One Options.

³¹ Ineligible Foreign Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

10 Taxation considerations

The following is a general guide regarding the tax implications for Avocet Shareholders who participate in the Scheme and subsequently hold and/or dispose of Lion One Shares. Due to the general and limited nature of the comments, reliance should not be placed on the guide and Avocet Shareholders should instead seek professional tax advice taking into account their own particular facts and circumstances.

10.1 General

The statements contained in this section are necessarily general in nature, and do not take in to consideration the specific circumstances of each Avocet Shareholder. In particular, the summary below is based on the assumption that all Avocet Shares were acquired by Avocet Shareholders after 21 September 1999 and are held on capital account. That is, the summary does not consider the tax implications arising in respect of any Avocet Shareholders who are engaged in a business of trading or investment, tax exempt entities, life insurance companies, Avocet Shareholders who otherwise hold their Avocet Shares on revenue account or as trading stock, nor Avocet Shareholders who are subject to Division 230 of the *Income Tax Assessment Act 1997*. This summary also does not consider Avocet Shareholders who acquired their Avocet Shares in respect of their employment with Avocet as they may be subject to different tax consequences applicable to their circumstances.

In addition, this summary specifically excludes consideration of the tax implications arising to holders of Avocet Options.

The statements contained in this section extend only to Australian tax resident Avocet Shareholders and do not apply to any foreign resident Avocet Shareholders.

Avocet Shareholders who are non-Australian residents for tax purposes should take into consideration both the taxation laws in their place of residence, but also the Australian tax implications which may apply to them.

The comments in this summary are limited to the Australian income tax implications, and do not extend to any foreign income taxes which may be applicable to the transactions contemplated by the Scheme, nor to any other Australian taxes such as GST or stamp duty.

Due to the general and limited nature of the comments, Avocet Shareholders should not rely on the comments contained in this section, and should seek professional tax advice which is specific to their individual facts and circumstances.

Finally, the following summary is based on the Australian taxation law and administrative practice as at the date of the Scheme Booklet and it is possible that relevant tax law changes may be made subsequently which impact the tax implications of the Scheme.

10.2 Capital gains tax on disposal of Avocet Shares to Lion One

The disposal of Avocet Shares to Lion One will give rise to a CGT event for Avocet Shareholders at the time of the disposal.

Avocet Shareholders will prima facie derive a capital gain on the disposal of their Avocet Shares to the extent that the market value of the capital proceeds received exceeds the cost base of the Avocet Shares.

Conversely, Avocet Shareholders will incur a capital loss on the disposal of those shares to the extent that the capital proceeds received is less than the reduced cost base of the Avocet Shares held.

In this respect, as all Australian resident Avocet Shareholders will receive New Lion One Shares as consideration for their Avocet Shares under the Scheme, the capital proceeds will be equal to the market value of the New Lion One Shares received under the Scheme.

The cost base of the Avocet Shares held by each Avocet Shareholder will generally include any consideration paid to acquire those shares plus certain related costs of acquisition, including incidental costs of acquisition such as brokerage costs and stamp duty. The reduced cost base of shares is determined similarly, though there are some limitations on including certain related costs.

Each Avocet Shareholder should seek separate tax advice to confirm the cost base or reduced cost base of their Avocet Shares and hence to determine the extent of any capital gain or loss arising on the disposal of the Avocet Shares to Lion One.

10.3 CGT rollover relief on disposal of Avocet Shares

Avocet Shareholders who make a capital gain on the disposal of their Avocet Shares to Lion One may be eligible to elect for CGT rollover relief in respect of that gain.

An Avocet Shareholder who makes a capital loss on the disposal of their Avocet Shares to Lion One cannot choose CGT rollover relief (that is, the Avocet Shareholder cannot elect to defer the capital loss they incur as a result of the Scheme).

If an Avocet Shareholder is eligible and makes an election to apply CGT rollover relief, any capital gain on the disposal of the Avocet Shares to Lion One would be disregarded (that is, taxation of the capital gain is effectively deferred until the New Lion One Shares are sold).

Where the CGT rollover relief is elected, the CGT cost base of the Avocet Shareholder's interests in the Avocet Shares would effectively transfer to the New Lion One Shares acquired. That is, the cost base of the Avocet Shares will become the cost base of the New Lion One Shares acquired. This will be relevant for any future disposal of the New Lion One Shares by those Avocet Shareholders.

To choose CGT rollover relief, an Avocet Shareholder must make a choice before lodging their income tax return for the income year in which the disposal date occurs. The way in which an Avocet Shareholder prepares their income tax return is evidence of making the choice (that is by not including the disregarded capital gain in their assessable income). There is no need for the Avocet Shareholder to lodge a notice with the Australian Taxation Office evidencing the election to choose CGT rollover relief.

10.4 Tax implications where CGT rollover relief either not available, or not elected

If an Avocet Shareholder is either ineligible for CGT rollover relief, or does not elect to apply the CGT rollover relief, any capital gain arising on disposal of the Avocet Shares to Lion One will not be disregarded.

In these circumstances, the amount of any taxable capital gain will be based on the cost base of the Avocet Shares and the market value of the New Lion One Shares acquired, as determined on the Implementation Date.

Avocet Shareholders who are either individuals or complying superannuation funds may be entitled to a CGT discount where those Avocet Shares had been held by the Avocet Shareholder for more than 12 months. The CGT discount for individuals is 50%, and for superannuation funds is 33 1/3 %. Avocet Shareholders who are companies are not entitled to the CGT discount.

The amount of any taxable gain to any Avocet Shareholder would also be subject to the recoupment of any other taxable losses during the relevant income year. The CGT discount is applied after the offset of such losses.

Where CGT rollover relief is not applied, for any future disposal of the acquired New Lion One Shares acquired, the cost base of the New Lion One Shares acquired will be equal to the market value of those New Lion One Shares (in the form of CDIs) on the Implementation Date.

10.5 Tax implications for Electing Small Shareholders

Small Shareholders who validly elect to have their New Lion One Shares sold by the Sale Agent:

- (a) may be eligible to choose rollover relief with respect to the issue of New Lion One Shares, however such shareholders will be subject to CGT upon the subsequent sale of those shares for cash proceeds by the Sale Agent; and
- (b) who do not choose rollover relief will be subject to CGT upon both the issue of the New Lion One Shares and the subsequent sale of those shares by the Sale Agent, the difference being the CGT discount is not likely to be available in relation to the subsequent sale of the New Lion One Shares by the Sale Agent.

10.6 Assessability of future dividend income received from New Lion One Shares

Dividends received by Avocet Shareholders in respect of the New Lion One Shares will be assessable to those Avocet Shareholders, including any foreign withholding taxes withheld from those dividends.

Where dividends are subject to any foreign withholding taxes, those taxes may be creditable as a foreign income tax offset (**FITO**) against the Avocet Shareholder's Australian tax liability.

However, the amount of the FITO will be limited to the greater of AUD\$1,000 and the Australian income tax payable on the Avocet Shareholder's assessable foreign income for the income year (less allowable deductions).

Notwithstanding the above, if the Avocet Shareholder is a company (and not in the capacity as a trustee) and it holds more than a 10% interest in Lion One, any dividends received by the Avocet Shareholder should not be subject to tax in Australia.

10.7 Future disposal of New Lion One Shares

Any future disposal of New Lion One Shares would trigger an Australian CGT event. The determination of any capital gain or loss should prima facie be calculated as discussed above depending on whether or not the Avocet Shareholder elected to apply a CGT rollover relief.

That is, if CGT rollover relief has been elected, the calculation of any capital gain or loss on any future disposal of New Lion One Shares will be based on the historical cost base to the Avocet Shareholder of their original Avocet Shares which were disposed of on the Implementation Date.

Alternatively, if CGT rollover relief was not elected then any future capital gain or loss would be determined based on a cost base for the New Lion One Shares equal to the market value of those shares on the Implementation Date.

An Avocet Shareholder who is an individual or a complying superannuation fund may be entitled to apply the CGT discount in respect of any capital gain referable to the sale of the New Lion One Shares.

In order to be entitled to the CGT discount, the New Lion One Shares must be held for more than 12 months before the disposal.

For Avocet Shareholders who are individuals or complying superannuation funds and who elected to apply the CGT rollover relief on the disposal of their Avocet Shares, the 12 month holding period in respect of the New Lion One Shares would be deemed to commence at the date of acquisition of the original Avocet Shares which were disposed of on the Implementation Date.

Conversely, for those Avocet Shareholders who do not elect for CGT rollover relief to apply on the disposal of the Avocet Shares, the 12 month holding period would commence at the Implementation Date.

If the CGT discount is available, any net capital gain on disposal of New Lion One Shares is reduced by 50% for individuals, and by 33 1/3% for complying superannuation funds.

If the Avocet Shareholder is a company, the CGT discount is not available. However where the company has held a direct voting percentage of 10% or more in Lion One throughout a 12 month period during the two years before the disposal it may be able to reduce the capital gain or loss, in certain circumstances, where Lion One carries on an active business.

If a capital gain is subject to any foreign taxes, those taxes may be creditable as a FITO against the Avocet Shareholder's Australian tax liability. However, the amount of the FITO will be limited to the greater of AUD\$1,000 and the Australian tax payable on the Avocet Shareholder's assessable foreign income for the income year (less allowable deductions).

11 Potential Risk Factors

11.1 Introduction

If the Scheme is implemented, Avocet will become a wholly owned subsidiary of Lion One and Avocet Shareholders will, subject to the terms of the Scheme, be entitled to receive the Scheme Consideration, being Lion One Shares (in the form of CDIs)³².

As the scale and stage of development of the Merged Group's business will change from that of the stand-alone Avocet, Scheme Shareholders will potentially be exposed to certain risks in respect of the Merged Group if the Merger is successful. Many of these risk factors are beyond the control of the Merged Group and are divided into risks associated with:

- (a) financial matters;
- (b) business and operations of Avocet and Lion One (and exploration companies generally);
- (c) acquisitions;
- (d) Lion One CDIs and Lion One Shares; and
- (e) the Merged Group.

These risk factors are not exhaustive and do not take into account the investment objectives, financial situation, position or particular needs of Avocet Shareholders. You should carefully consider the following risks as well as the other information contained in this Scheme Booklet before determining how to vote on the Scheme. Each Scheme Shareholder should consult his or her professional adviser if he or she has any doubts about an investment in the Merged Group.

In this section, "the companies" refers to both Lion One and Avocet. A distinction is drawn where a risk applies to only one of the companies, or applies to each of the companies in a different manner or degree.

11.2 Risks relating to financial matters

Commodity price volatility

The value assets of the companies may be significantly affected by changes in the market price of gold, uranium and iron ore. The price of these commodities may fluctuate, and is affected by numerous factors beyond the control of the companies including, without limitation, forward sales by producers and speculators, inflation and expectations with respect to the rate of inflation, world supply of gold, uranium and iron ore, stability of exchange rates (the strength of the US dollar and other currencies), global and regional political and economic conditions or events, industrial and retail demand, sales by central banks and other holders, interest rates, and speculator and producer responses to any of the foregoing factors. Future production, if any, of gold, uranium or iron ore from the companies' mineral exploration properties, will be dependent upon the prices of these commodities being adequate to make these properties economic.

Future serious price declines in the market value of gold, uranium or iron ore could render the companies' projects uneconomic. There is no assurance that, even if commercial quantities of

³² Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

gold, uranium or iron ore are produced, a profitable market will exist for them. Declining gold, uranium or iron ore prices could also impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Access to finance

The companies' capital requirements depend on numerous factors. Any additional equity financing will dilute shareholdings, and debt financing may involve covenants restricting financing and operating activities. There can be no assurance that the companies will be able to obtain the necessary financing in a timely manner, on acceptable terms or at all.

If the companies are unable to obtain additional financing as needed, they may be required to reduce the scope of their operations and scale back their exploration and development programs, as the case may be. The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

Foreign currency fluctuations

International prices of various commodities are denominated in United States dollars. Lion One's expenditure and other results are reported in Canadian dollars (Avocet's expenditure and other results are currently reported in Australian dollars, but will be reported in Canadian dollars following implementation of the Scheme), exposing the companies to the fluctuations and volatility of the rate of exchange between these currencies as determined in international markets. Foreign currencies are affected by a number of factors that are beyond the control of the companies. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors.

No production revenues

To date, the companies have not recorded any revenues from its projects nor have the companies commenced commercial production on any of its properties. There can be no assurance that significant additional losses will not occur in the near future or that the companies will be profitable in the future. The companies' operating expenses and capital expenditures may increase in subsequent years as additional consultants, personnel and equipment associated with advancing exploration and development of their projects are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which are beyond the companies' control.

The companies expects to continue to incur losses unless and until such time, if any, as its projects enter into commercial production and generates sufficient revenues to fund its continuing operations. The development of the companies' projects will require the commitment of substantial resources to conduct the time-consuming exploration and development. There can be no assurance that the companies' will generate any revenues or achieve profitability. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate.

Tax

An investment in Lion One Shares involves tax considerations which may differ for each Scheme Shareholder. Each Scheme Shareholder is encouraged to seek professional tax advice in connection with any investment in Lion One Shares.

11.3 Risks relating to business and operations

Resource estimations

Resource estimates are expressions of judgements based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development plans which may, in turn, adversely affect the companies' operations. Should the companies encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the companies' operations.

Standards for reporting mineralised material

The disclosure in this Scheme Booklet concerning Lion One uses terms that comply with reporting standards in Canada and certain estimates are made in accordance with NI 43-101. In addition, the terms '*mineral resource*', '*measured mineral resource*', '*indicated mineral resource*' and '*inferred mineral resource*' are defined in and required to be disclosed by NI 43-101.

Investors are cautioned not to assume that all or any part of mineral deposits in these categories will ever be converted into reserves. '*Inferred mineral resources*' have a significant amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of the measured mineral resources, indicated mineral resources, or inferred mineral resources will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility studies, pre-feasibility studies or other economic studies, except in rare cases.

Accordingly, information within this booklet containing descriptions of Lion One's mineral deposits may not be comparable to similar information made public by Australian companies subject to Australian reporting and disclosure requirements.

Lion One's disclosure of mineral reserve and mineral resource information is governed by NI 43-101 and CIM Standards. Avocet's disclosure of mineral reserve and mineral resource information is based on the reporting requirements of the JORC Code. CIM definitions of the terms '*mineral reserve*', '*proven mineral reserve*', '*probable mineral reserve*', '*mineral resource*', '*measured mineral resource*', '*indicated mineral resource*' and '*inferred mineral resource*' are substantially similar to the JORC Code corresponding definitions of the terms '*ore reserve*', '*proved ore reserve*', '*probable ore reserve*', '*mineral resource*', '*measured mineral resource*', '*indicated mineral resource*' and '*inferred mineral resource*', respectively. Estimates of mineral resources and mineral reserves prepared in accordance with the JORC Code would not be materially different if prepared in accordance with the CIM definitions applicable under NI 43-101.

There can be no assurance that mineral resources that are not mineral reserves will ultimately be converted into mineral reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

Fluctuations in the price and availability of energy and other commodities

Infrastructure

Mineral exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay the development of the companies' projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the development of the companies' projects will be commenced or completed on a timely basis, if at all, or that construction costs and ongoing operating costs will not be higher than anticipated. In addition, unusual or infrequent weather phenomena, sabotage or other interference in the maintenance or provision of such infrastructure could adversely affect the companies' operations.

Price of commodities

Mineral exploration companies are affected by the market prices and availability of commodities which are consumed or otherwise used in connection with mineral exploration operations and development projects, such as diesel, fuel, electricity, steel, concrete and cyanide. Prices of such commodities can also be subject to volatile price movements, which can be material and can occur over short periods of time, and are affected by factors that are beyond a company's control. Operations consume significant amounts of energy, and are dependent on suppliers to meet these energy needs. In some cases, no alternative source of energy is available. An increase in the cost, or decrease in the availability, of construction materials such as steel and concrete affects the timing and cost of development projects. If the costs of certain commodities consumed or otherwise used in connection with the companies' exploration and development projects were to increase significantly, and remain at such levels for a substantial period of time, the companies may determine that it is not economically feasible to continue exploration at some or all of their operations or the development of some or all of their projects, which could have a material adverse effect on the companies. The companies' ability to acquire critical resources such as input commodities, drilling equipment, tyres and skilled labour, due to increased worldwide demand, may cause unanticipated cost increases and delays in delivery times, thereby impacting operating costs and capital expenditures.

Regulatory requirements risks

The companies conduct operations in a number of jurisdictions, including Australia, Argentina, and Fiji. The laws in each of these countries differ significantly and may change. The business of mineral exploration and development is subject to various national and local laws and plans relating to permitting and maintenance of title, environmental consents, taxation, employee relations, health and safety, royalties, land acquisitions, land use, waste disposal, environmental protection and remediation, protection of endangered and protected species, mine safety, toxic substances and other matters. Although the companies currently comply with all applicable rules and regulations, 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 and development. New laws and regulations, amendments to existing laws and regulations, administrative interpretation of existing laws and regulations, or more stringent enforcement of existing laws and regulations, whether in response to changes in the political or social environment in which the companies operate or otherwise, could have a material adverse effect on the companies.

Failure to comply with applicable laws and regulations may result in enforcement actions or corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mineral exploration may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Sovereign Risk – Fiji

The political situation in Fiji has deteriorated following the 2006 coup and deferral of political elections to 2014. Possible changes to the political or social environment, laws and regulations carry sovereign risks which include changes in the terms of exploration permits, royalty arrangements, changes to taxation rates and concessions, and changes in the ability to enforce legal rights. Any of these risks or a combination of them may in the future materially affect the operations of Lion One and the market price of the Lion One's shares. There can be no guarantee that economic and political conditions in Fiji will stabilise. Further risks may arise if there are changes in laws or government practices affecting foreign ownership of Fijian assets and interests in Fijian tenements. It cannot be ruled out that the government of Fiji may adopt substantially different laws, policies and conditions relating to foreign investment and taxation. Lion One may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity.

Exploration licences

Mineral exploration companies require licences and permits from various governmental authorities. The companies believe that they hold all necessary licences and permits under applicable laws and regulation in respect of their properties and that they are presently complying in all material respects with the terms of such licences and permits. Such licences and permits, however, are subject to change in various circumstances. There is a risk that the necessary permits, consents, authorisations and agreements to implement planned exploration and development may not be obtained under conditions or within the time frames that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays.

Joint venture risks

Avocet currently conducts some of its projects through joint ventures. Joint ventures can often require unanimous approval of the parties to the joint venture or their representatives for certain fundamental decisions such as an increase or reduction of registered capital, merger, division, dissolution, amendment of the constituting documents, and the pledge of the joint venture assets, which means that each joint venture party may have a veto right with respect to such decisions, which could lead to a deadlock. Avocet is unable to predict the risk of financial failure or default by a participant in any joint venture to which Avocet is or may become a party to in the future.

Exploration risk

The exploration and development of gold, uranium and iron ore deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a mineable deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to identify ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the companies will result in a profitable commercial mining

operation, and significant capital investment is required to achieve commercial production from successful exploration efforts. There is no certainty that exploration expenditures made by the companies will result in discoveries of commercial mineable quantities. Exploration on the companies' existing tenements may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of the companies and possible relinquishment of tenements.

Development project risks

Many factors are involved in the determination of the economic viability of a deposit, including the achievement of satisfactory mineral reserve estimates, the level of estimated metallurgical recoveries, capital and operating cost estimates and the estimate of future commodity prices. Capital and operating cost estimates are based upon many factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, ground and mining conditions, expected recovery rates from the ore and anticipated environmental and regulatory compliance costs. Each of these factors involves uncertainties and as a result, the companies cannot give any assurance that their development or exploration projects will become operating mines. If a mine is developed, actual operating results may differ from those anticipated in a feasibility study.

Any of the following events, among others, could affect the profitability or economic feasibility of a project:

- unanticipated changes in grade and tonnage of ore to be mined and processed;
- unanticipated adverse geotechnical conditions;
- incorrect data on which engineering assumptions are made;
- costs of constructing and operating a mine in a specific environment;
- availability of labour;
- availability and costs of processing and refining facilities;
- availability of economic sources of power;
- adequacy of water supply;
- availability of surface tenure on which to locate processing and refining facilities;
- adequate access to the site, including competing land uses (such as agriculture and illegal mining);
- unanticipated transportation costs;
- government regulations (including regulations with respect to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, as well as the costs of protection of the environment and agricultural lands);
- fluctuations in commodity prices; and
- accidents, labour actions and force majeure events.

It is not unusual in new mining operations to experience unexpected problems during the start-up phase, and delays can often occur at any stage.

Risks and hazards that may materially affect operations

Outside contractor risks

It is common for certain aspects of mineral exploration activities, such as drilling and blasting, to be conducted by an outside contractor. Certain aspects of the companies' operations are undertaken by a contractor and as a result, the companies are subject to a number of risks, including reduced control over the aspects of the operations that are the responsibility of the contractor, failure of a contractor to perform under its agreement with the relevant company, inability to replace the contractor if either party terminates the contract, interruption of operations in the event the contractor ceases operations due to insolvency or other unforeseen events, failure of the contractor to comply with applicable legal and regulatory requirements and failure of the contractor to properly manage its workforce resulting in labour unrest or other employment issues.

Other risks

Mineral exploration involves various other types of risks and hazards, including:

- industrial accidents;
- metallurgical and other processing problems;
- unusual or unexpected rock formations;
- structural cave-ins or slides;
- flooding;
- fires; and
- periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, facilities or other properties, personal injury, delays in mining, increased costs, monetary losses and possible legal liability.

Risks incidental to the companies operating in remote locations

The companies' mineral exploration interests are located in remote locations and depend on an uninterrupted flow of materials, supplies and services to those locations. Any interruptions to the procurement of equipment or the flow of materials, supplies and services to these properties could have an adverse impact on the companies' operations.

Environmental hazards and risks

Environmental hazards, including but not limited to weather patterns and cyclone activity and other adverse weather conditions such as heavy rainfall, flooding and road closures, including those currently unknown to the companies, may exist on or adjacent to their projects. The companies may be liable for losses associated with such hazards, or may be forced to undertake extensive remedial clean-up action or to pay for governmental remedial clean-up actions, even in cases where such hazards have been caused by previous or existing owners or operators of project land, or by past or present owners of adjacent properties or natural conditions. The costs of such clean-up actions may have a material adverse impact on the companies' operations.

Impact associated with various laws (including environmental, health and safety laws)

Generally

The companies' activities are subject to extensive laws of the jurisdictions in which they operate, and regulations governing, among other things, environmental protection and employee health and safety. The companies are also subject to various reclamation-related conditions imposed, including air, water quality and mine reclamation rules and permits. While the companies have budgeted for future capital and operating expenditures to maintain compliance with environmental, health and safety laws, any future changes to these laws could adversely affect the companies' financial condition, liquidity or results of operations. Failure to comply with applicable environmental, health and safety laws can result in injunctions, damages, suspension or revocation of permits and imposition of penalties. There can be no assurance that the companies have been or will be at all times in complete compliance with such laws or permits, that their compliance will not be challenged or that the costs of complying with current and future environmental, health and safety laws and permits will not materially or adversely affect the companies' operations.

Environmental laws

Mineral exploration activities are typically subject to environmental regulation in the various jurisdictions in which the companies operate. Environmental legislation in many countries is evolving and the trend has been toward stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays and may cause material changes or delays in a company's intended activities. There can be no assurance that future changes in environmental regulations will not adversely affect the companies' operations, and it is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of the companies' operations, causing the companies to re-evaluate those activities at that time.

Native Title

It is possible that, in relation to the Australian tenements in which the companies have an interest or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the companies to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be affected.

The effect of the present laws in respect of native title that apply in Australia is that mining tenement applications and existing tenements may be affected by native title claims or procedures. This may preclude or delay granting of exploration and mining tenements and considerable expenses may be incurred negotiating and resolving issues.

If any known (or currently unknown but later discovered) Aboriginal heritage sites cannot be avoided on tenements held by the companies, the consent of the responsible Minister would need to be obtained under section 18 of the *Aboriginal Heritage Act 1972* (WA) before any exploration activity could lawfully proceed. The Minister has discretion whether to grant that consent and may do so on conditions. There is a risk that the presence of these Aboriginal heritage sites may limit or preclude exploration activity within the sphere of influence of those sites and delays and expenses may be experienced in obtaining clearances.

Insurance risk

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or facilities, personal injury or death, environmental damage, delays in exploration and development and monetary losses and possible legal liability.

Although insurance is maintained for the construction and operation of the companies' projects within ranges of coverage consistent with industry practice, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover any or all claims. If the companies incur uninsured losses or liabilities, the companies may be adversely affected.

Insurance against risks such as environmental pollution or other hazards as a result of exploration is not generally available to companies in the mining industry on acceptable terms. Losses from these events may cause the companies to incur significant costs that could have a material adverse effect upon their operations.

Competition risk

The mining industry is intensely competitive. Significant competition exists for the acquisition of mineral exploration properties. The companies may be at a competitive disadvantage in acquiring such additional properties because they must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities. The companies may also encounter increasing competition from other mining companies in their efforts to hire experienced mining professionals. Increased competition could adversely affect the companies' ability to attract necessary capital funding for mineral exploration in the future.

Key personnel risk

The companies rely on certain key professionals with specific experience and expertise and the loss of these persons or an inability to attract and retain additional highly skilled employees required for the implementation of the companies' business plans and ongoing mineral exploration may have a material adverse effect on the companies' business or future operations.

There is a shortage of skilled labour in the Australian market and a great deal of competition amongst mining and exploration companies for qualified personnel.

Employee relations risk

The companies are dependent on their respective workforces. A prolonged labour disruption at any of the companies' projects could have a material adverse impact on their operations as a whole.

Mineral title risk

Mineral exploration companies require licences and permits from various governmental authorities. The validity of ownership of property holdings can be uncertain and may be contested. Risk always exists that some titles, particularly titles to undeveloped properties, may be defective or subject to prior unregistered agreements or transfers.

Litigation risk

The companies may become party to litigation or other adversary proceedings, with or without merit, in a number of jurisdictions. The cost of defending such claims may take away from

management time and effort and if determined adversely to a company, may have a material and adverse effect on its operations.

Lion One is currently not a party to legal proceedings.

Avocet is currently not a party to legal proceedings.

Risks related to community action

All industries, including the mining industry, are subject to community action. In recent years, communities and non-governmental organisations have become more vocal and active with respect to mining industry activities at or near their communities. These parties may take actions such as road blockades, applications for injunctions seeking work stoppage and lawsuits for damages.

Risks relating to the global economy

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, could impede the companies' access to capital or increase the cost of capital. Failure to raise capital when needed or on reasonable terms may have a material adverse effect on the companies' operations.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, the companies' operations could be adversely impacted and the trading price of the companies' shares may be adversely affected. The companies are also exposed to liquidity risks in meeting their operating and capital expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the companies' ability to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to them. As a result of recent global financial conditions, numerous financial institutions have gone into bankruptcy or have been rescued by government authorities. As such, the companies are subject to the risk of loss of their deposits with financial institutions that hold their cash.

11.4 Risks relating to acquisitions

Inherent risk that acquisitions could adversely affect Lion One's growth and financial condition

Lion One evaluates opportunities to acquire, divest and/or consolidate assets and similar businesses. Any resultant transactions may be significant in size, may change the scale of Lion One's business and may expose Lion One to new geographic, political, operating, financial and geological risks. Such transactions may be accompanied by risks applicable to the exploration and development of resource properties, to the difficulties of assimilating the operations and personnel of any acquired companies, and to the possibility of unknown liabilities associated with acquired assets and businesses.

Acquisition transactions involve other inherent risks, including:

- accurately assessing the value, strengths, weaknesses, contingent and other liabilities, and potential profitability of acquisition candidates;
- ability to achieve identified and anticipated operating and financial synergies;
- unanticipated costs;
- diversion of management attention from existing business;

- potential loss of Lion One's key employees or the key employees of any business it acquires;
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and
- decline in the value of acquired properties, companies or securities.

Any one or more of these factors or other risks could cause Lion One not to realise the benefits anticipated to result from the acquisition of properties or companies, and could have a material adverse effect on its ability to grow and on its financial condition.

In addition, to acquire properties and companies, Lion One may use available cash, incur debt, issue Lion One Shares or other securities, or a combination of any one or more of these. This could limit Lion One's flexibility to raise capital, to operate, explore and develop its properties and to make additional acquisitions, and could further dilute and decrease the trading price of the Lion One Shares or Lion One CDIs. When evaluating an acquisition opportunity, Lion One cannot be certain that it will have correctly identified and managed the risks and costs inherent in the business that it is acquiring.

Lion One cannot give any assurance that it will successfully identify and complete an acquisition transaction and, if completed, that the business acquired will be successfully integrated into its operations

Lion One's success in its acquisition, divestment and consolidation activities depends on its ability to identify suitable opportunities, implement them on acceptable terms and have the operations of any acquired companies successfully integrated with those of Lion One. There can be no assurance that Lion One will be successful in overcoming these risks or any other problems encountered in connection with any future acquisitions, divestments or consolidations. While Lion One continues to seek acquisition opportunities consistent with its acquisition and growth strategy, Lion One cannot be certain that it will be able to identify additional suitable acquisition candidates available for sale at reasonable prices, to consummate any acquisition or to integrate any acquired business into its operations successfully.

There may be no right for shareholders to evaluate the merits or risks of any further acquisition undertaken by Lion One

There may be no right for Lion One's shareholders to evaluate the merits or risks of any future acquisition undertaken by Lion One except as required by applicable laws and stock exchange rules.

Conflicts of interest

Certain directors and officers of the companies are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the companies. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of the companies. Directors and officers with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

11.5 Risks relating to Lion One CDIs or Lion One Shares

Dilution

Lion One may require additional funds to fund its exploration and development programs and potential acquisitions. If Lion One raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of Lion One shareholders. Issuances of substantial numbers of Lion One securities, or the availability of such securities for sale, could adversely affect the prevailing market prices for Lion One securities. A decline in the market price of Lion One securities could impair Lion One's ability to raise additional capital through the sale of securities should it desire to do so.

Uncertainty about the market value of Lion One CDIs or Lion One Shares

Although the Avocet Board believes that the Merger will enhance value for Shareholders, it is not possible to predict the value or performance of Lion One CDIs or Lion One Shares if the Merger is implemented.

Lion One Shares may experience price and volume fluctuations

The market price of a publicly traded stock is affected by many variables not all of which are directly related to the success of the company. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market prices of securities of many companies, particularly those considered to be exploration stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance or underlying asset values of such companies. There can be no assurance that such fluctuations will not affect the price of Lion One's securities.

In the past, following periods of volatility in the market price of a company's securities, shareholders have sometimes instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm Lion One's profitability and reputation.

Lion One CDIs may trade at a discount

The number of Lion One CDIs quoted on ASX will be less than the number of Lion One Shares listed on the TSX-V. This is because the maximum number of Lion One Shares that are expected to be issued under the Scheme, and accordingly the maximum number of Lion One CDIs, is 11,106,700 (assuming that no Avocet Options are exercised) while all Lion One Shares (including those held by CDN in support of the Lion One CDIs) will be listed on the TSX-V.

It is therefore possible that the market for Lion One CDIs may be less liquid than the market for Lion One Shares on the TSX-V. This may have the effect of reducing the volume of Lion One CDIs that can be bought and sold on ASX and the speed with which they can be bought and sold. This reduced liquidity may also result in Lion One CDIs trading at a discount to Lion One Shares on the TSX-V. However, as mentioned in **section 6.3**, a holder of Lion One CDIs can convert their Lion One CDIs into Lion One Shares tradeable on the TSX-V at any time, should the holder wish to access the market in Lion One Shares on the TSX-V.

Exposure to movements in foreign exchange rates

Lion One Shares are denominated in Canadian dollars on the TSX-V. Accordingly, Shareholders who receive Lion One Shares (in the form of CDIs), and elect to convert the CDIs into Lion One Shares, will be exposed to movements in foreign exchange rates between Australian and

Canadian currencies, the impact of which cannot be predicted reliably. Consequently, the Australian dollar value you receive or pay, for the future sale or acquisition of Lion One Shares respectively, may be adversely affected by foreign exchange rate movements.

Lion One does not expect to pay dividends on Lion One Shares or Lion One CDIs in the foreseeable future

Lion One does not anticipate paying any cash dividends on Lion One Shares or Lion One CDIs for the foreseeable future. As a result, shareholders will have to rely on capital appreciation, if any, to earn a return on investment in Lion One Shares or Lion One CDIs in the foreseeable future. Furthermore, Lion One may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends.

Lion One follows foreign corporate governance, corporate and securities laws

Investors should be aware that Lion One is incorporated under the laws of Canada, is a reporting issuer in Canada and is listed on the TSX-V, FSE and OTCQX. Accordingly, Lion One follows foreign corporate governance requirements and securities laws, which may differ from corporate governance requirements under laws applicable in an investor's place of residence (including Australia). Further details of the differences between relevant laws as applicable to Lion One and Avocet can be found in **Annexure F**.

Risks to shareholders arising from the fact that Lion One's assets are primarily foreign

All of the assets of Lion One are, and a portion of the assets of the Merged Group will be, located in jurisdictions outside of Australia. As a result, it may be difficult for shareholders resident in Australia to enforce judgments obtained against the Merged Group in Australia if the damages awarded exceed the realisable value of the Merged Group's Australian assets.

Risks to shareholders arising from the fact that Lion One is a foreign company

Lion One is, and the Merged Group will be, incorporated under the laws of the Canada and listed on the TSX-V, FSE and OTCQX. The foreign aspects of the organisation, management and offices of the Merged Group may make it more difficult for shareholders to enforce their legal rights than if the Merged Group was organised, managed and resident solely in Australia. The common law and statutory rights of shareholders under the laws of Canada may be less extensive than statutory rights available to shareholders under the laws of Australia.

Although Canada has enjoyed a stable political climate for many years, there can be no assurance that changing social and political conditions will not adversely affect the operations of the Merged Group in the future.

11.6 Risks relating to the Merged Group

Issue of New Lion One Shares as consideration

The Scheme Consideration that is proposed to be issued to Avocet shareholders consists of a specified number of Lion One Shares (in the form of CDIs)³³, rather than a number of Lion One Shares (in the form of CDIs) with a specified market value. As a result, the value of the Scheme Consideration will fluctuate depending upon the market value of Lion One Shares. Under the Scheme, Lion One will issue a significant number of New Lion One Shares. Some Avocet Shareholders may not intend to continue to hold their New Lion One Shares and may wish to

³³ Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

sell them. There is a risk that if a significant number of Avocet Shareholders seek to sell their New Lion One Shares, this may adversely impact their price.

Integration risks

There are risks that any integration between the businesses of Lion One and Avocet may take longer than expected and that anticipated efficiencies and benefits of that integration may be less than estimated. These risks include possible differences in the management culture of the two groups and the potential loss of key personnel.

Risk factors relating to the operations of the Merged Group

The Merged Group may not realise the benefits of its growth projects

The success of the Merged Group will depend in large part on the success of management of the Merged Group in integrating the operations of Avocet after the Effective Date. The failure of the Merged Group to achieve such integration could result in the failure of the Merged Group to realise any of the anticipated benefits of the Merger and could impair the results of operations of the Merged Group. In addition, the overall integration of the operations of Avocet into the Merged Group may result in unanticipated operational problems, expenses, liabilities and diversion of management's attention.

The Merged Group may not realise the benefits of its growth projects

As part of its strategy, the Merged Group will continue existing efforts and initiate new efforts to develop new mineral exploration projects and will have more such projects as a result of the Merger. There are a number of risks and uncertainties that are associated with the development of these types of projects as described above. The failure to develop one or more of these initiatives successfully could have an adverse effect on the Merged Group's operations.

Other risks

Additional risks and uncertainties not currently known to the companies may also have a material adverse effect on the business of the Merged Group and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting the companies or the Merged Group.

12 Additional information

This Scheme Booklet, including the additional information contained in this section, has been prepared for the purposes of section 412(1) of the Corporations Act to explain the effect of the proposed scheme of arrangement between Avocet and its Shareholders to be considered at the Scheme Meeting. The Scheme is set out in **Annexure D** to this Scheme Booklet.

12.1 Merger Implementation Agreement

Avocet and Lion One have entered into the Merger Implementation Agreement in connection with the proposed Scheme. The Merger Implementation Agreement sets out the obligations of Avocet and Lion One in relation to the Scheme.

A summary of the Merger Implementation Agreement is contained in **Annexure C** to this Scheme Booklet.

12.2 Conditions to the Merger

The obligations of Avocet and Lion One to implement the Merger are subject to the following outstanding conditions being satisfied or, where applicable, waived in accordance with the terms of the Merger Implementation Agreement:

- any regulatory authority approvals necessary (including from the ASX, ASIC or TSX-V) to implement the Scheme being obtained;
- the Independent Expert does not change its conclusion, that the Scheme is in the best interests of Avocet Shareholders, or withdraw its report before the Second Court Date;
- no Avocet Material Adverse Change occurring before the Second Court Date;
- no Avocet Prescribed Event occurring before the Second Court Date;
- no Lion One Material Adverse Change occurring before the Second Court Date;
- no Lion One Prescribed Event occurring before the Second Court Date;
- the independent Directors do not change or withdraw their recommendation to vote in favour of the Scheme and all resolutions (if any) incidental to the Scheme, before the Scheme Meeting;
- approval of the Scheme by the Requisite Majority of Avocet Shareholders in accordance with the Corporations Act;
- Court Approval of the Scheme in accordance with the Corporations Act;
- all Third Party Consents are granted or obtained in respect of Implementation and those consents, agreements, waivers, licences or approvals are not withdrawn, cancelled or revoked;
- ASX granting all regulatory approvals reasonably necessary for admission of Lion One to the official list of ASX, and the approval of official quotation of the Lion One CDIs to be issued pursuant to the Scheme;
- no court order or other legal restraint being issued that prohibits or prevents the Merger occurring before the Second Court Date;
- no action taken, or order or decree made by, a Government Agency which prohibits or prevents the Merger occurring before the Second Court Date;

- The representations and warranties made by Avocet in the Merger Implementation Agreement being true and correct, as at the Second Court Date;
- The representations and warranties made by Lion One in the Merger Implementation Agreement being true and correct, as at the Second Court Date;

See **Annexure C** of this Scheme Booklet for further details.

12.3 Conditions to Merger that have already been satisfied or waived

(a) Completion of Lion One Due Diligence

Lion One completed, to its satisfaction, due diligence on the operational, legal and accounting matters of the assets, liabilities, business, operations and prospects of Avocet on or before 28 February 2013.

(b) Completion of Avocet Due Diligence

Avocet completed, to its satisfaction, due diligence on the operational, legal and accounting matters of the assets, liabilities, business, operations and prospects of Lion One on or before 28 February 2013.

(c) Independent Expert Report

Avocet commissioned an Independent Expert, RSM Bird Cameron, to prepare a report to ascertain whether the Merger is in the best interests of Shareholders.

The Independent Expert has concluded that the Merger is in the best interests of Avocet Shareholders.

A copy of the Independent Expert's Report is contained in **Annexure A** to this Scheme Booklet.

See **section 2.4** and **Annexure C** of this Scheme Booklet for further details.

(d) Option Cancellation Deeds

The Avocet Optionholder has entered into an Option Cancellation Deed, agreeing to the cancellation of their Avocet Options for nil consideration, subject to the Scheme becoming Effective.

12.4 Exclusivity arrangements

The Merger Implementation Agreement contains certain exclusivity arrangements which require Avocet to not, solicit, or enter into any negotiations with other parties, in relation to an Alternative Proposal.

These exclusivity provisions do not restrict Avocet or its respective directors from doing or not doing anything with respect to an Alternative Proposal, provided that:

- (a) it is a bona fide unsolicited Alternative Proposal; and
- (b) Avocet has determined (in good faith and acting reasonably), after receiving written legal advice from its external legal advisers, that to do so or not to do so would likely constitute a breach of any of their fiduciary or statutory duties or could reasonably lead to a contravention of the law.

Depending on the circumstances of the bona fide unsolicited Alternative Proposal this may, or may not, permit Avocet to change the recommendation by the directors in respect of the Merger.

If at any time during the exclusivity period, Avocet receives a proposal in relation to bona fide Superior Proposal, Lion One has the right, but not the obligation, to match such Superior Proposal by providing a more favourable counter proposal.

For more information in relation to the exclusivity provisions in the Merger Implementation Agreement refer to **section 7** of the Summary of the Merger Implementation Agreement set out in **Annexure C** to this Scheme Booklet.

12.5 Break Fees

(a) Avocet Break Fee

The Avocet Break Fee Amount is payable by Avocet to Lion One in certain specified circumstances. The Avocet Break Fee Amount is \$150,000 being the amount which the parties have agreed is reasonable compensation to Lion One for the Scheme not proceeding, based on a reasonable assessment of the costs incurred in the transaction. The Avocet Break Fee Amount is payable in accordance with the Merger Implementation Agreement.

(b) Lion One Break Fee

The Lion One Break Fee Amount is payable by Lion One to Avocet in certain specified circumstances. The Lion One Break Fee Amount is \$150,000 being the amount which the parties have agreed is reasonable compensation to Avocet for the Scheme not proceeding, based on a reasonable assessment of the costs incurred in the transaction. The Lion One Break Fee Amount is payable in accordance with the Merger Implementation Agreement.

A Break Fee is not payable by either party in the event that the Avocet Shareholders do not approve the Scheme.

For more information in relation to the Break Fees refer to **section 8** of the Summary of the Merger Implementation Agreement set out in **Annexure C** to this Scheme Booklet.

12.6 Deed Poll

Lion One has executed a Deed Poll in favour of the Scheme Shareholders pursuant to which Lion One promises to issue the New Lion One Shares to the Scheme Shareholders³⁴ in consideration of the acquisition of all of the Avocet Shares under the Scheme subject to the satisfaction of certain conditions precedent. A copy of the Deed Poll is set out in **Annexure E** to this Scheme Booklet.

12.7 Scheme Meeting

The Court has ordered that a meeting of Shareholders be held at Level 2, 55 Carrington Street, Nedlands WA 6009 at 10am (WST) on 27 May 2013 to consider the Scheme.

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved this Scheme Booklet does not mean that the Court:

- (c) has formed any view as to the merits of the proposed Scheme or as to how Shareholders should vote (on this matter Shareholders must reach their own decision); or

³⁴ Ineligible Foreign Shareholders and Electing Small Shareholders will have the New Lion One Shares they would otherwise receive under the Scheme issued to the Sale Agent for sale.

(d) has prepared, or is responsible for the content of, the Scheme Booklet.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

The Court may refuse to grant the orders referred to above even if the Scheme is approved by the Requisite Majority of Shareholders.

The Scheme is conditional on approval by the Requisite Majority of Shareholders. If the Scheme is not approved by the Requisite Majority of Shareholders, it will not be implemented. If the Scheme is not approved, the Scheme will not proceed and Avocet will not apply to the Court for any orders in connection with the Scheme.

Further details of the consequences of the Scheme not being implemented are set out in **section 5.6**.

12.8 Court approval of the Scheme

Avocet will apply to the Court for orders approving the Scheme if:

- (a) the Scheme is approved by the Requisite Majority at the Scheme Meeting; and
- (b) all other conditions to the Merger are satisfied or waived (as applicable).

The date on which the Court hears Avocet's application is the Second Court Date. The Court will hold a Date to consider things such as whether procedural requirements have been satisfied, whether Avocet Shareholders have received adequate information and whether the terms and conditions of the exchange of securities under the Scheme are fair and reasonable to the persons receiving securities under the Scheme. Under applicable law, the Court must make this determination before approving the Scheme.

The Court may refuse to grant the orders referred to above even if the Scheme is approved by the Requisite Majority of Shareholders.

If the Scheme is not approved, the Scheme will not proceed and Avocet will not apply to the Court for any orders in connection with the Scheme.

The Federal Court of Australia Rules provide a procedure for Shareholders to oppose the approval by the Court of the Scheme or make representations to the Court in relation to the Scheme. If you wish to oppose approval by the Court of the Scheme at the Court Date you may do so by filing with the Court, and serving on Avocet, a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the Date. The notice of appearance and affidavit must be served on Avocet at least one day before the Second Court Date. That date is currently scheduled to occur on 31 May 2013. Any change to this date will be announced through ASX and will be available on ASX's website (www.asx.com.au).

Alternatively, if you wish to make representations to the Court in relation to the Scheme, the Court may grant you leave to be heard at the Date without becoming a party to the proceeding.

Additional requirements regarding Court approval of the Scheme are set out in **section 4.2** of this Scheme Booklet.

12.9 Actions by Avocet and Lion One

If Court orders approving the Scheme are obtained, the Directors and the Lion One Board will take or procure the taking of the steps required for the Merger to be implemented. These will include the following:

- (a) Avocet will lodge with ASIC, office copies of the Court orders approving the Scheme under section 411 of the Corporations Act and the Scheme will become Effective;
- (b) in consideration for the transfer of the Avocet Shares to Lion One, on the Implementation Date, Lion One must issue:
 - (i) issue Lion One Shares to CDN in sufficient number to support the issue by CDN of Lion One CDIs to Scheme Shareholders who are entitled to receive Scheme Consideration under the Scheme to the extent that those Scheme Shareholders' Avocet Shares are held on the Avocet issuer sponsored subregister or the Avocet CHESSE subregister, and cause the name and address of CDN to be recorded in the Lion One Share Register;
 - (ii) cause Lion One CDIs to be issued by CDN to Scheme Shareholders who are entitled to receive Scheme Consideration under the Scheme to the extent that those Scheme Shareholders' Avocet Shares are held on the Avocet issuer sponsored subregister or the Avocet CHESSE subregister, and cause their names and addresses to be recorded on:
 - (A) the Lion One CDI issuer sponsored subregister in respect of their Lion One CDIs, to the extent that those Lion One CDIs are issued for Avocet Shares that are held on the Avocet issuer sponsored subregister; or
 - (B) the Lion One CDI CHESSE subregister in respect of their Lion One CDIs, to the extent that those Lion One CDIs are issued for Avocet Shares held on the Avocet CHESSE subregister,
 and issue holding statements to those Scheme Shareholders.
- (c) on the Implementation Date, Avocet will enter the name of Lion One in the Share Register as the holder of the Avocet Shares;
- (d) Avocet will apply to be removed from the official list of ASX;
- (e) on the Effective Date, procure that the board of directors of Avocet, following the Merger, be comprised of the following persons:
 - Mr Philip Lucas;
 - Mr Stephen Mann;
 - Mr Stanley Macdonald; and
 - any person nominated by Lion One to be a director of Avocet, pursuant to the Merger Implementation Agreement.

12.10 Effective Date

The Scheme will become Effective on the date upon which office copies of the orders of the Court under section 411 of the Corporations Act approving the Scheme are lodged with ASIC.

If the Scheme becomes Effective, Avocet will immediately give notice of the event to ASX.

Once the Scheme becomes Effective, Avocet and Lion One will become bound to implement the Scheme in accordance with its terms.

12.11 Suspension and de-listing

Trading in Avocet Shares on ASX will be suspended on the Effective Date. Following final implementation of the Scheme, it is intended that Avocet will request that ASX remove Avocet from the official list of ASX.

12.12 Termination of the Merger Implementation Agreement

The Merger Implementation Agreement may by either party terminated before the Second Court Date in certain circumstances, including if:

- a condition precedent has not been satisfied or waived in accordance with the Merger Implementation Agreement. If one party does not have the right to waive a condition precedent then that party may not terminate the Merger Implementation Agreement;
- the Scheme is not Effective by 30 June 2013 (unless such date is extended by agreement between the parties); or
- the other party is in material breach of a term of the Merger Implementation Agreement, provided that it has given written notice stating its intention to terminate and the relevant circumstances continue to exist for 5 Business Days (or any shorter period ending on the Second Court Date) after notice is given.

Under some circumstances, the exercise of termination rights will trigger an obligation by Avocet or Lion One to pay a break fee (plus GST, if applicable) to the other party of \$150,000. For more information in relation to the Break Fees refer to **section 8** of the Summary of the Merger Implementation Agreement set out in **Annexure C** to this Scheme Booklet.

At the date of this booklet, neither Avocet nor Lion One is aware of any actual circumstances which gives either of them a right of termination.

12.13 Interests of Directors

(a) Avocet marketable securities

The number, description and amount of Avocet marketable securities held by or on behalf of each Director as at the date of this Scheme Booklet are:

Director	Avocet Shares	Avocet Options
Stephen Mann	760,304	-
Philip Lucas	330,000	-
Stanley Macdonald	2,743,276	-

(b) Lion One marketable securities

There are no marketable securities of Lion One held by or on behalf of any Directors as at the date of this Scheme Booklet.

(c) Stephen Mann – Lion One Directorship

Mr Stephen Mann was appointed a director of Lion One on 11 October 2012. Due to his directorship in Lion One, Mr Mann has not made any recommendations regarding the Scheme or the Merger.

(d) Contracts between Directors and Lion One

Other than as set out in this **section 12.13**, there are no contracts or agreements between any Avocet Director and Lion One. No Avocet director has any interest in any contract entered into by Lion One (other than in their capacity as a Avocet securityholder).

(e) Agreements or arrangements with Directors in connection with or conditional upon outcome of the Scheme

Under the Merger Implementation Agreement, Avocet and Lion One have agreed that the board of the Merged Group will comprise Mr Walter Berukoff, Mr George Young, Mr Richard Meli, Mr David Duval, Mr Stephen Mann and Mr Hamish Greig.

Other than as set out in this **section 12.13**, there are no other agreements or arrangements made between any Avocet Director and any other person, including Lion One, in connection with or conditional upon the outcome of the Scheme (other than in their capacity as an Avocet securityholder).

(f) Payments or other benefits to Directors, company secretary or executive officers

(i) Accrued Fees

The Non-executive Directors of Avocet agreed to a pay freeze on 31 March 2012 and as a result of the pay freeze, have foregone \$18,250 for the period up to and including 31 December 2012. In addition, Mr Stanley Macdonald has accrued fees to 31 March 2012 of \$6,250, which have not been paid. On the Effective Date, all fees for the period up to and including the Effective Date (including the foregone and accrued fees) will be paid to the Directors of Avocet.

(ii) Other

Avocet pays premiums in respect of a directors and officers (D&O) insurance policy for the benefit of its directors and executive officers.

Except as set out in **section 12.13**, no payment or other benefit is proposed to be made or given to any director, secretary or executive officer of Avocet or any Related Body Corporate of Avocet as compensation for loss, or as consideration for, or in connection with, their retirement from office in Avocet or any of its Related Bodies Corporate.

Except as set out in **section 12.13**, no Directors, secretaries or executive officers of Avocet will receive any payment or other benefit through the Scheme other than an allocation of New Lion One Shares on equivalent terms to all Scheme Shareholders in respect of the Avocet Shares to which they are entitled.

12.14 Relevant interests of Lion One in Avocet securities

As at the date of this Scheme Booklet:

- Other than Mr Stephen Mann who holds 760,304 Avocet Shares, and Mr Walter Berukoff who holds 500,000 Avocet Options (and who has agreed to cancel them for nil

consideration), no Avocet marketable securities are held by or on behalf of any Lion One directors; and

- Lion One does not have a Relevant Interest in Avocet marketable securities.

12.15 Dealings in Avocet securities

Except as disclosed elsewhere in this Scheme Booklet, neither Lion One nor any Associate has provided, or agreed to provide, consideration for any Avocet Shares under a purchase or agreement during the four months ended on the day immediately before the date of this Scheme Booklet.

Except as disclosed elsewhere in this Scheme Booklet, during the period of four months ended on the day immediately before the date of this Scheme Booklet, neither Lion One nor any Associate has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an Associate, to:

- vote in favour of the Scheme; or
- dispose of Avocet Shares,

and the benefit has not been offered to all Shareholders.

12.16 Warranty by Scheme Shareholders

The Scheme provides that each Scheme Shareholder is deemed to have warranted to Lion One and Lion One that:

- all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) that are to be transferred to Lion One under the Scheme are, at the date of transfer, fully paid and free from all encumbrances, interests of third parties of any kind and restrictions on transfers of any kind; and
- they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Lion One under this Scheme.

12.17 Lodgement of this Scheme Booklet

This Scheme Booklet was given to ASIC on 28 March 2013 in accordance with section 411(2)(b) of the Corporations Act.

12.18 No unacceptable circumstances

The Directors are not aware of any declaration or allegation of “unacceptable circumstances” in relation to the Scheme for the purposes of section 657A of the Corporations Act.

12.19 Regulatory Relief

Lion One has sought a declaration from ASIC in respect of subsections 707(3) and 707(4) of the Corporations Act to make it clear that New Lion One Shares received as Scheme Consideration can be on-sold on ASX within 12 months of their issue, without requiring disclosure under Chapter 6D of the Corporations Act.

Lion One has applied to the ASX to have the Lion One CDIs to be issued under the Scheme approved for listing on the ASX.

Lion One has been granted in-principle waivers, confirmations and approvals from ASX, including the following:

- (a) confirmation that the Scheme Consideration, existing Lion One securities or Lion One options issued under the Lion One Option Plan will not be escrowed under the Listing Rules;
- (b) confirmation that the proposal by Lion One to provide ASX with:
 - (i) copies of the documentation required to be lodged under section 601CK of the Corporations Act for the purposes of Listing Rule 4.5.2; and
 - (ii) copies of its annual report to shareholders prepared in accordance with Canadian company and securities law, for the purposes of Listing Rule 4.7.2,
 are satisfactory for the purposes of Listing Rules 4.5.2 and 4.7.2;
- (c) for the purposes of Listing Rule 1.1 Condition 3, confirmation that ASX agrees to the lodgement of an Information Memorandum (rather than a prospectus) which complies, subject to any waivers, confirmations and approvals, with the information requirements of Appendix 1A, and which incorporates this Scheme Booklet by reference;
- (d) for the purposes of Listing Rule 1.1 Condition 6, a waiver to the extent necessary to permit Lion One to apply for quotation of only those Lion One Shares represented by Lion One CDIs;
- (e) for the purposes of Listing Rule 1.1 Condition 3, and paragraph 87C of Appendix 1A, confirmation that Lion One is not required to provide a reviewed pro forma statement of financial position (and the review) on the basis that the relevant information will be included in the pro forma financial information to be included in this Scheme Booklet;
- (f) in respect of the information requirements of Appendix 1A:
 - (i) in relation to paragraph 3, a waiver to the extent necessary to permit Lion One to refer to the relevant sections of the Information Memorandum for its capital structure;
 - (ii) in relation to paragraph 47, a waiver to the extent necessary to permit Lion One not to provide the top 20 shareholders' details;
 - (iii) in relation to paragraph 108, confirmation that Lion One is not required to include a statement in the Information Memorandum that it contains all information that would be required if it were a prospectus;
 - (iv) in relation to paragraph 109, confirmation that the Information Memorandum may be signed by a local director, secretary or agent of Lion One on the condition that every Lion One director and proposed director consent to the Information Memorandum being signed on their behalf;
 - (v) in relation to paragraph 115, a waiver to the extent necessary to permit the expert reports included in this Scheme Booklet to be included in the Information Memorandum without Lion One having to obtain further consents from the relevant experts on the condition that the expert reports to be included in the Information Memorandum are identical to those in this Scheme Booklet;
 - (vi) in relation to paragraph 116, confirmation that a waiver from paragraph 116 is not required to permit the issue of Lion One CDIs as the Scheme Consideration];
 - (vii) in relation to paragraph 117, a waiver to the extent necessary such that Lion One not be required to comply with paragraph 117, subject to the following conditions:

- (A) Lion One provides disclosure of material matters occurring in the relevant period to the market by way of ASX announcement; and
 - (B) Avocet undertakes to release any such documents provided by Lion One.
- (g) for the purposes of Listing Rule 2.4, a waiver to the extent necessary to permit Lion One to apply for quotation of only those CDIs issued over fully paid Lion One Shares to be traded in the Australian market subject to the following conditions
 - (A) Lion One applies for quotation of Lion One CDIs issued into the Australian market on a monthly basis, and Lion One provides to the market a monthly update of the net changes in the number of Lion One CDIs over Lion One Shares; and
 - (B) Lion One releases details of this waiver as pre-quotation disclosure;
- (h) for the purposes of Listing Rule 2.8, a waiver to the extent necessary such that Lion One is not required to apply for quotation of CDIs issued as a result of holders of Lion One Shares converting their shares to CDIs within 10 business days subject to the following conditions:
 - (i) Lion One applies for quotation of CDIs issued into the Australian market on a monthly basis, and Lion One provides to the market a monthly update of the net changes in the number of CDIs that are quoted on the ASX; and
 - (ii) Lion One releases details of the waiver as part of its pre-quotation disclosure;
- (i) for the purposes of Listing Rule 4.2A, a waiver to the extent necessary to permit Lion One to give ASX a copy of its interim financial statements and interim management discussion and analysis (MD&A) in lieu of the information required by Listing Rule 4.2A;
- (j) for the purposes of Listing Rule 4.2B, a waiver to the extent necessary to permit Lion One to lodge with ASX the MD&A in accordance with the timeframes specified under Canadian securities law;
- (k) for the purposes of Listing Rule 4.10.9, a waiver to the extent necessary to permit Lion One not to provide the top 20 shareholders' details in its annual report on the basis that it is usual practice in Canada for nominee and depository entities to hold legal title to stock in their own name (and not in the name of the beneficial holder);
- (l) for the purposes of Listing Rules 5.2 and 5.3, a waiver to the extent necessary to permit Lion One to:
 - (i) give ASX a copy of its interim and annual financial statements and MD&A's for each quarter in lieu of the information set out in Appendix 5B;
 - (ii) lodge its report for the first, second and third quarters in accordance with the timetable for filing its interim financial statements and MD&A's in Canada (which can be up to 45 days after the end of the quarter); and
 - (iii) lodge its report for the fourth quarter in accordance with the timetable for filing its annual financial statements and annual MD&A in Canada (which can be up to 90 days after the end of the quarter);
- (m) for the purposes of Listing Rules 6.16, 6.19, 6.21, 6.22 and 6.23.4, waivers in respect of all options currently on issue, and all options which may from time to time be granted under the Lion One Option Plan;

- (n) for the purposes of Listing Rules 10.11 and 10.14, waivers to the extent necessary to permit Lion One to issue securities to directors and their associates under the Lion One Option Plan without shareholder approval subject to the following conditions:
 - (i) relevant details of the Lion One Option Plan are set out in the Scheme Booklet; and
 - (ii) a summary of the Lion One Option Plan and the number of securities issued to directors and their associates under the Lion One Option Plan during that financial year is set out in a separate document provided with the annual report to all Lion One CDI holders;
- (o) for the purposes of Listing Rule 14.2.1, a waiver to the extent necessary to permit Lion One not to include a provision for shareholders to vote against certain resolutions, such as those relating to the appointment of directors or auditors, in accordance with Canadian securities law;
- (p) for the purposes of Listing Rule 14.3, a waiver to the extent necessary to permit Lion One to comply with the requirements of Canadian securities laws and the TSX Company Manual for nominations of directors (which have different timing requirements to Listing Rule 14.3), in lieu of Listing Rule 14.3; and
- (q) for the purposes of Listing Rule 15.12, a waiver to the extent necessary that Lion One's Memorandum and Articles of Association be permitted not to include a provision regarding the disposal of restricted securities, on the condition that Lion One undertakes not to acquire a classified asset in circumstances where ASX would require the issue of restricted securities.

12.20 Other interests, fees and benefits

- (a) Disclosure of interests

Other than as set out in this **section 12** or elsewhere in this Scheme Booklet, no:

 - (i) Avocet director;
 - (ii) Lion One director or proposed director; or
 - (iii) person named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet,

(together, **Interested Persons**) holds, or held at any time during the last two years before the date of this Scheme Booklet, any interest in:

 - (iv) the formation or promotion of Lion One;
 - (v) any property acquired or proposed to be acquired by Lion One in connection with the formation or promotion of Lion One or the offer for allotment of the New Lion One Shares; or
 - (vi) the offer for allotment of New Lion One Shares.

Other than as set out in this **section 12** or elsewhere in this Scheme Booklet, no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to:

 - (i) a director or proposed director of Lion One to induce them to become, or qualify as, a director of Lion One; or

- (ii) any Interested Person for services rendered by them in connection with the preparation of this Scheme Booklet or in connection with the formation or promotion of Lion One or the offer for allotment of New Lion One Shares.

(b) Avocet's experts and fees

The persons performing a function in a professional or advisory capacity in connection with the Scheme and with the preparation of this Scheme Booklet on behalf of Avocet are:

- (i) Allion Legal as legal adviser in relation to Australian law;
- (ii) Stikeman Elliott LLP as legal adviser with respect to certain matters in relation to Canadian law;
- (iii) Howards Lawyers as legal adviser in relation to Fijian law;
- (iv) RSM Bird Cameron as the author of the Independent Expert's Report;
- (v) Salva Resources as the author of the Independent Technical Specialist's Report; and
- (vi) KPMG Transaction Services as the author of the Investigating Accountant's Report.

Each of them will be entitled to receive professional fees charged in accordance with their normal basis of charging.

The fee for professional services paid or payable to the Independent Expert which has provided an Independent Expert's Report is \$30,000 (plus GST). The fee for professional services paid or payable to the Independent Technical Specialist which has provided an Independent Technical Specialist's Report is \$38,800 (plus GST). The fee for professional services paid or payable to KPMG Transaction Services which has provided the Investigating Accountant's Report is \$37,500 (plus GST). The fee for professional services paid or payable to the Allion Legal, Stikeman Elliott LLP, and Howards Lawyers which have provided legal advice in relation to the Merger is \$200,000 (plus GST), \$30,553 (inclusive of applicable taxes), and \$37,600 (inclusive of applicable taxes) respectively.

12.21 Consents

- (a) The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named:
 - (i) Allion Legal as Avocet's Australian legal adviser;
 - (ii) Stikeman Elliott LLP as Avocet's Canadian legal adviser with respect to certain matters;
 - (iii) Howards Lawyers as Avocet's Fijian legal adviser;
 - (iv) RSM Bird Cameron as the author of the Independent Expert's Report;
 - (v) Salva Resources as the author of the Independent Technical Specialist's Report;
 - (vi) KPMG Transaction Services as the author of the Investigating Accountant's Report;
 - (vii) Security Transfer Registrars Pty Ltd as the Share Registry; and

- (viii) P&E Mining Consultants Inc. as referred to in **section 8.5** and in the Independent Technical Specialist's Report (**P&E Information**).
- (b) KPMG Transaction Services has given, and has not withdrawn, its written consent to the inclusion of the Investigating Accountant's Report and the references to that report in the form and context in which it is included in this Scheme Booklet;
- (c) RSM Bird Cameron has given, and has not withdrawn, its written consent to the inclusion of the Independent Expert's Report and the references to that report in the form and context in which they are included in this Scheme Booklet;
- (d) Salva Resources has given, and has not withdrawn, its written consent to the inclusion of the Independent Technical Specialist's Report and the references to that report in the form and context in which they are included in this Scheme Booklet;
- (e) P&E Mining Consultants Inc has given, and has not withdrawn, its written consent to the inclusion of the P&E Information in the form and context in which they are included in this Scheme Booklet;
- (f) Lion One has given, and has not withdrawn, its written consent to the inclusion of the Lion One Information and the references to that information in the form and context in which they are included in this Scheme Booklet;
- (g) Each person referred to in this **section 12.21**:
 - (i) has not authorised or caused the issue of this Scheme Booklet;
 - (ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than as specified in this **section 12.21**; and
 - (iii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet other than a reference to its name and the statements (if any) included in this Scheme Booklet with the consent of that person as specified in this **section 12.21**.

12.22 Creditors of Avocet

The Scheme, if implemented, is not expected to materially prejudice Avocet's ability to pay its creditors as they involve the acquisition of Avocet Shares for consideration provided by a third party, rather than the acquisition of Avocet's underlying assets. No material new liability (other than transaction costs) is expected to be incurred by Avocet as a consequence of the implementation of the Scheme. Avocet has paid and is paying all of its creditors within normal terms of trade and is solvent and trading in an ordinary commercial manner.

12.23 Material changes since Half Year 31 December 2012 reviewed financial statements

The last reviewed³⁵ financial statements of Avocet, were the reviewed financial statements for the half year ended 31 December 2012 as lodged with ASX on 14 March 2013. So far as is known by the Avocet Directors, the only material changes to the financial position of Avocet since the date of those half year financial statements are as announced to ASX or as set out in this Scheme Booklet.

³⁵ A review of a half-year financial report consists of the company's auditor making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with AAS and consequently does not enable the auditor to obtain assurance that it would become aware of all significant matters that might be identified in an audit.

12.24 Other material information

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any director or Related Body Corporate of Avocet which has not previously been disclosed to Shareholders.

12.25 Supplementary information

Subject to any direction of the Court, Avocet will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the date of the Scheme Meeting:

- (a) a material statement in this Scheme Booklet that is misleading or deceptive;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter arising that would have been required to be included in this Scheme Booklet.

The form of the supplementary document and whether a copy will be sent to each Avocet Shareholder will depend on the nature and timing of the new or changed circumstances. Any such supplementary document will be made available on Avocet's website (www.avocetresources.com.au). Any such supplementary document will also be released to ASX and accordingly will be available from ASX's website (www.asx.com.au).

12.26 Information relating to exploration results and mineral resources

- (a) Avocet

The information in this Scheme Booklet that relates to Exploration Results and Mineral Resources in respect of the Avocet Information is based on information compiled by Mr Stephen Mann, a Competent Person who is a Member of The Australian Institute of Mining and Metallurgy. Mr Mann is a full-time employee of Avocet. Mr Mann has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Mann consents to inclusion in this Scheme Booklet, of the matters based on his information in the form and context in which it appears.

- (b) Lion One

The information in this Scheme Booklet that relates to exploration results and Mineral Resources reported by Lion One has been prepared in accordance with the Canadian Securities Administrators, National Instrument 43-101 (NI43-101). Specifically, NI43-101 requires that Mineral Resource estimates be prepared in accordance and have the meaning ascribed by the Canadian Institute of Mining and Petroleum (CIM) Definition Standards. NI43-101 Companion Policy also identifies the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) as an "acceptable foreign code" for the estimation of mineral resources and that it is substantially similar to CIM Definition Standards as both are based on and are consistent with the International Reporting Template, published by the Committee for Mineral Reserves International Reporting Standards (CRIRSCO Template). As such, it has been

determined that the Lion One mineral resource estimates prepared in accordance with CIM Standard Definitions would not be materially different than those prepared in accordance with the JORC Code.

- (i) The information in this Scheme Booklet that relates to exploration results reported by Lion One is based on information compiled by Mr Darcy Krohman, P.Geo, who is a Member of the Association of Professional Engineers and Geoscientists of British Columbia, a “Recognised Professional Organisation” included in a list promulgated by ASX for the purposes of the JORC Code. Mr Krohman has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Qualified Person under the meaning of NI43-101 and is a Competent Person as defined in the JORC Code. Mr Krohman is a consultant to Lion One. Mr Krohman consents to inclusion in this Scheme Booklet, of the matters based on his information in the form and context in which it appears.
- (ii) The information in this Scheme Booklet that relates to Mineral Resources reported by Lion One is based on information compiled by Mr Eugene Puritch, P.Eng, who is a member of the Professional Engineers Ontario (PEO), and Mr Fred Brown, P.Geo, who is a Member of the Association of Professional Engineers and Geoscientists of British Columbia (APEGBC). Both PEO and APEGBC are “Recognised Professional Organisations” included in a list promulgated by ASX for the purposes of the JORC Code. Mr Puritch and Mr Brown have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Qualified Persons under the meaning of NI43-101 and are Competent Persons as defined in the JORC Code. Mr Puritch is the President and Mr Brown is a Senior Associate of P&E Mining Consultants Inc, and they are consultants to Lion One. Mr Puritch and Mr Brown consent to inclusion in this Scheme Booklet, of the matters based on their information in the form and context in which it appears.

Glossary

In this Scheme Booklet (other than the **Annexure A, B, D, and E**), unless the context requires otherwise:

\$ means Australian dollars.

Alternative Proposal means, in relation to Avocet:

- (a) any bona fide, funded proposal or offer by any person (other than Lion One) made in writing to Avocet to evaluate or enter into any transaction which is similar to the Transaction (whether a scheme of arrangement, a takeover bid or otherwise) or under which other than as required or contemplated by the Scheme:
 - (i) that person (together with its associates) may acquire a relevant interest in 10% or more of the Avocet Shares;
 - (ii) that person (together with its associates) may acquire a relevant interest in 10% or more of the Avocet Options;
 - (iii) that person may acquire, directly or indirectly (including by way of joint venture, dual listed company structure, strategic alliance or otherwise), all or a substantial part of the Business or assets of Avocet; or
 - (iv) that person may otherwise acquire control of or merge or amalgamate with Avocet;
- (b) any acquisition of, or agreement to acquire, a relevant interest in 10% of the Avocet Shares by any person (other than Lion One); or
- (c) any acquisition of, or agreement to acquire, a relevant interest in 10% of the Avocet Options by any person (other than Lion One).

Annexure means an annexure to this Scheme Booklet.

Announcement Date means the date on which Lion One and Avocet lodged the announcement on the ASX that they had entered into the Merger Implementation Agreement, being 21 December 2012, which was published by the ASX on 24 December 2012.

ASIC means the Australian Securities & Investments Commission.

Associate has the meaning given in the Corporations Act.

ASX means ASX Limited (ACN 008 624 691) or, as the context requires, the financial market conducted by it.

ASX Listing Rules means the official listing rules of ASX.

ASX Quarterly Report means "Appendix 5B Mining Exploration Entity quarterly report" under the ASX Listing Rules.

Avocet means Avocet Mining Limited (ACN 113 446 352) of Level 2, 55 Carrington Street, Nedlands WA 6009.

Avocet Board means the board of Directors of Avocet.

Avocet Break Fee Amount means \$150,000.

Avocet Group means Avocet and its subsidiaries.

Avocet Information means the information contained in this Scheme Booklet other than:

- (a) the Lion One Information;

- (b) the Independent Expert's Report in **Annexure A** to this Scheme Booklet;
- (c) the Independent Technical Specialist's Report contained in Appendix 5 to the Independent Expert's Report in **Annexure A** to this Scheme Booklet; and
- (d) the Investigating Accountant's Report in **Annexure B** to this Scheme Booklet.

Avocet Option means an unlisted option to subscribe for an Avocet Share.

Avocet Optionholder means a person who holds Avocet Options.

Avocet Prescribed Event means, except as required by the Merger Implementation Agreement or the Scheme (or with the prior written consent of Lion One), the occurrence of any of the following:

- (a) (convert shares) Avocet converts all or any of its shares into a larger or smaller number of shares;
- (b) (reduce share capital) Avocet or a subsidiary of Avocet resolves to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;
- (c) (buy-back) Avocet or a subsidiary of Avocet:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) (issue shares or options) Avocet or a subsidiary of Avocet issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option or right to an Avocet Share, excluding:
 - (i) any issue or grant contemplated by the Scheme; and
 - (ii) any Avocet Shares issued by Avocet as a result of the exercise of existing Avocet Options;
- (e) (change to terms of Avocet Options) Avocet (or the Avocet Board) makes any amendment to the terms of issue of any Avocet Option, where, as a consequence, any one or more of the following occurs:
 - (i) the period for exercise of any Avocet Option is extended;
 - (ii) the number of Avocet Options that are exercisable at any time is increased;
 - (iii) the earliest date for exercise of any Avocet Option is brought forward;
 - (iv) the exercise price of any Avocet Option is reduced; or
 - (v) the number of Avocet Shares to be issued on exercise of any Avocet Option is increased;
- (f) (issue convertible securities) Avocet or a subsidiary of Avocet issues, or agrees to issue, securities or other instruments convertible into shares;
- (g) (declare dividend) Avocet declares any dividend or pays, makes or incurs any liability to pay or make any distribution whether by way of dividend, capital distribution, bonus or other share of its profits or assets;
- (h) (Insolvency Event) an Insolvency Event occurring in relation to Avocet;
- (i) (change to constitution) Avocet makes any change or amendment to its constitution;

- (j) (change to accounting practice or policies) Avocet making any change to its accounting practices or policies, other than to comply with generally accepted Australian accounting standards and any domestically accepted international accounting standards or electing to form a consolidated group for the purposes of the *Income Tax Assessment Act 1997* (Cth);
- (k) (debentures) Avocet or a Subsidiary of Avocet issues, agrees to issue or grants an option to subscribe for debentures (as defined in section 9 of the Corporations Act);
- (l) (disposal) Avocet or a Subsidiary of Avocet disposes, or agrees to dispose, of the whole, or a substantial part, of its Business or property;
- (m) (security) Avocet or a Subsidiary of Avocet charges, or agrees to charge, the whole or a substantial part, of its Business or property, or creates or alters, or agrees to create or alter, any mortgage, charge lien, security interest or other encumbrance over the whole or a substantial part of its Business or property;
- (n) (share disposal) Avocet or a Subsidiary of Avocet disposes, or agrees to dispose, of shares in a Subsidiary of that party;
- (o) (litigation) Avocet or a Subsidiary of Avocet becomes a party to any material litigation;
- (p) (financial indebtedness) Avocet or a Subsidiary of Avocet incurs any financial indebtedness or issues any debt securities of in aggregate more than \$250,000 other than advances under credit facilities in existence as at the date of the Merger Implementation Agreement;
- (q) (benefits to officers and employees) other than in accordance with an existing contract in place at the date of the Merger Implementation Agreement or with the consent of Lion One (such consent not to be unreasonably withheld), Avocet:
 - (i) increasing the remuneration of, or otherwise varying, the employment arrangements with any of its directors or employees;
 - (ii) accelerating the rights of any of its directors or employees to compensation or benefits of any kind (including under any executive or employee share plans); or
 - (iii) paying any of its directors or officers a termination or retention payment;
- (r) (Material Contracts) Avocet or a Subsidiary of Avocet:
 - (i) changes the terms of any Material Contract to the material detriment of Avocet or a Subsidiary of Avocet;
 - (ii) terminates any Material Contract;
 - (iii) pays, discharges or satisfies any claims, liabilities or obligations under any Material Contract other than in accordance with past practice and consistent with the contract terms; or
 - (iv) waives any material claims or rights under or waives the benefit of any provisions of any Material Contract;
- (s) (commitments) Avocet or a Subsidiary of Avocet enters into:
 - (i) any onerous contract or commitment; or
 - (ii) any long term contract or commitment (including any joint venture or partnership agreement) except in the ordinary course of Business; or
- (t) (renewing or extending agreements) except in the ordinary course of its Business, Avocet or a Subsidiary of Avocet exercises any material contractual right or other option to renew or extend an existing agreement (including under any lease),

provided that (if otherwise caught by the terms of this definition) an acquisition of any business, assets (or interest in such assets), entity or undertaking by Avocet or a Subsidiary of Avocet, or a contract or commitment of the kind referred to in clause (s) above, will not be an Avocet Prescribed Event if the terms of that acquisition, or potential contract or commitment, as the case may be, have been fully and fairly disclosed either to the market generally or to Lion One in writing under this proviso immediately prior to the execution of the Merger Implementation Agreement and the acquisition, contract or commitment as the case may be, proceeds substantially in accordance with those terms.

Avocet Share means a fully paid ordinary share in the capital of Avocet.

Avocet Shareholder or **Shareholder** means a person who is registered as a holder of Avocet Shares.

Business means:

- (a) in relation to Avocet and its Subsidiaries, the business presently carried on by Avocet and its Subsidiaries; and
- (b) in relation to Lion One and its Subsidiaries, the business presently carried on by Lion One and its Subsidiaries.

Business Day means a day in Perth, Australia that is not a Saturday, Sunday or a public holiday and on which banks in Perth, and the ASX are open for trading.

CDI means a CHESS depositary interest, being a unit of beneficial ownership in shares of a foreign company registered in the name of CDN.

CDN means CHESS Depositary Nominees Pty Limited (ACN 071 346 506).

CHESS means the clearing house electronic subregister system of share transfers operated by ASX Settlement Pty Limited (ACN 008 504 532).

CGT means capital gains tax.

Computershare Australia means Computershare Investor Services Pty Ltd

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia.

Deed Poll means the Deed Poll dated 16 April 2013 executed by Lion One and set out in **Annexure E** to this Scheme Booklet, pursuant to which Lion One has agreed to procure the provision of the Scheme Consideration to the Scheme Shareholders.

Directors means the directors of Avocet.

Effective when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) (and, if applicable section 411(6) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Electing Small Shareholder means a Small Shareholder that has validly elected to have all the New Lion One Shares they would be entitled to receive under the Scheme allotted to the Sale Agent for sale.

Federal Court of Australia Rules means the Federal Court (Corporations) Rules 2000.

Implementation means the implementation of the Scheme, on the Scheme being Effective.

Government Agency means a government, government department or a governmental, semi-governmental, statutory or judicial entity, agency, authority, commission, department, tribunal, or person

charged with the administration of a law or agency, whether in Australia or elsewhere, including ASIC, the Takeovers Panel, and any self regulating organisation established under statute or by ASX or TSX.

Implementation Date means the date that is the fifth Business Day after the Record Date.

Independent Expert means RSM Bird Cameron Corporate Pty Ltd.

Independent Expert's Report means the report of the Independent Expert set out in **Annexure A** to this Scheme Booklet.

Independent Technical Specialist means Salva Resources Pty Ltd of Level 11, 82 Eagle Street, Brisbane QLD 4000.

Independent Technical Specialist's Report means the report of the Independent Technical Specialists contained in Appendix 5 to the Independent Expert's Report set out in **Annexure A** to this Scheme Booklet.

Ineligible Foreign Shareholder means a Scheme Shareholder whose address in the Share Register of Avocet Shareholders is in a jurisdiction outside of Australia and its external territories, Canada, New Zealand, Singapore and the United Kingdom, except where Lion One and Avocet are reasonably satisfied that the issue of New Lion One Shares in that jurisdiction under the Scheme would be neither prohibited by law nor unduly onerous.

Insolvency Event means in relation to an entity:

- (a) the entity resolving to be wound up or liquidated;
- (b) the appointment of a liquidator, provisional liquidator or administrator of the entity;
- (c) the making of an order by a court of the winding up of the entity;
- (d) the entity executing a deed of company arrangement; or
- (e) the appointment of a receiver or a receiver and manager, in relation to the whole, or a substantial part, of the property of the entity.

Investigating Accountant means KPMG Transaction Services.

Investigating Accountant's Report means the report of the Investigating Accountant set out in **Annexure B** of this Scheme Booklet.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 edition.

Lion One means Lion One Metals Limited of 311 West 1st Street, North Vancouver BC, V7M 1B5 Canada.

Lion One Board means the board of directors of Lion One.

Lion One Break Fee Amount means \$150,000.

Lion One CDI means a CDI in respect of a Lion One Share.

Lion One CDI Registry means Computershare Australia.

Lion One Information means such information regarding Lion One and Lion One Shares provided by Lion One to Avocet in writing for inclusion in the Scheme Booklet so as to enable Avocet to comply with its obligations under the Merger Implementation Agreement.

Lion One Option means an option to acquire a Lion One Share.

Lion One Prescribed Event means, except as required by the Merger Implementation Agreement or by the Scheme (or with the prior written consent of Avocet), the occurrence of any of the following:

- (a) (convert shares) Lion One or a Subsidiary of Lion One converts all or any of its shares into a larger or smaller number of shares;
- (b) (reduce share capital) Lion One or a Subsidiary of Lion One resolves to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;
- (c) (buy-back) Lion One or a Subsidiary of Lion One:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the repurchase of any of its issued capital;
- (d) (issue shares or options) Lion One or a subsidiary of Lion One issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option or right to a share, excluding any shares issued by Lion One as a result of the exercise of existing options over unissued Lion One Shares;
- (e) (change to terms of options) Lion One (or the board of directors of Lion One) makes any amendment to the terms of issue of any option over unissued Lion One Shares, where, as a consequence, any one or more of the following occurs:
 - (i) the period for exercise of any such option is extended;
 - (ii) the number of such options that are exercisable at any time is increased;
 - (iii) the earliest date for exercise of any such option is brought forward;
 - (iv) the exercise price of any such option is reduced; or
 - (v) the number of shares in Lion One to be issued on exercise of any such option is increased;
- (f) (issue convertible securities) Lion One or a subsidiary of Lion One issues, or agrees to issue, securities or other instruments convertible into shares;
- (g) (declare dividend) other than any dividend paid, declared or announced by Lion One on or before the date of the Merger Implementation Agreement in accordance with its ordinary dividend policy, Lion One declares any dividend or pays, makes or incurs any liability to pay or make any distribution whether by way of dividend, capital distribution, bonus or other share of its profits or assets;
- (h) (Insolvency Event) an Insolvency Event occurring in relation to Lion One;
- (i) (change to constitution) Lion One makes any material change or amendment to its constitution;
- (j) (change to accounting practice or policies) Lion One making any change to its accounting practices or policies, other than to comply with generally accepted International Financial Reporting Standards applicable in Canada and any domestically accepted international accounting standards or electing to form a consolidated group for the purposes of the Income Tax Act (Canada);
- (k) (debentures) Lion One or a Subsidiary of Lion One issues, agrees to issue or grants an option to subscribe for debentures (as defined in section 9 of the Corporations Act);
- (l) (disposal) Lion One or a Subsidiary of Lion One disposes, or agrees to dispose, of the whole, or a substantial part, of its Business or property;

- (m) (security) Lion One or a Subsidiary of Lion One charges, or agrees to charge, the whole or a substantial part, of its Business or property, or creates or alters, or agrees to create or alter, any mortgage, charge lien, security interest or other encumbrance over the whole or a substantial part of its Business or property;
- (n) (share disposal) Lion One or a Subsidiary of Lion One disposes, or agrees to dispose, of shares in a Subsidiary of that party;
- (o) (litigation) Lion One or a Subsidiary of Lion One becomes a party to any material litigation;
- (p) (financial indebtedness) except in the ordinary course of Business, Lion One or a Subsidiary of Lion One incurs any financial indebtedness or issues any debt securities of in aggregate more than \$250,000 other than advances under credit facilities in existence as at the date of the Merger Implementation Agreement and fully and fairly disclosed in the Lion One Material as defined in the MIA;
- (q) (Material Contracts) Lion One or a Subsidiary of Lion One:
 - (i) changes the terms of any Material Contract to the material detriment of Lion One or a Subsidiary of Lion One;
 - (ii) terminates any Material Contract;
 - (iii) pays, discharges or satisfies any claims, liabilities or obligations under any Material Contract other than in accordance with past practice and consistent with the contract terms; or
 - (iv) waives any material claims or rights under or waives the benefit of any provisions of any Material Contract;
- (r) (commitments) Lion One or a Subsidiary of Lion One enters into:
 - (i) any onerous contract or commitment except in the ordinary course of Business; or
 - (ii) any long term contract or commitment (including any joint venture or partnership agreement) except in the ordinary course of Business; or
- (s) (renewing or extending agreements) except in the ordinary course of its Business, Lion One or a Subsidiary of Lion One exercises any material contractual right or other option to renew or extend an existing agreement (including under any lease),

provided that (if otherwise caught by the terms of this definition) an acquisition of any business, assets (or interest in such assets), entity or undertaking by Lion One or a Subsidiary of Lion One, or a contract or commitment of the kind referred to in clause (r) above, will not be a Lion One Prescribed Event if the terms of that acquisition, or potential contract or commitment, as the case may be, have been fully and fairly disclosed either to the market generally or to Avocet in writing under this proviso immediately prior to the execution of the Merger Implementation Agreement and the acquisition, contract or commitment as the case may be, proceeds substantially in accordance with those terms.

Lion One Share means a fully paid ordinary share in the capital of Lion One.

Material Adverse Change means any change, effect, event, occurrence, state of facts or developments that is materially adverse to the business, financial condition, results or operations, provided that:

- (a) any change in the market price or trading volume of shares after the date of the Merger Implementation Agreement; and
- (b) any change as regards to one party (the first party) (which change is otherwise caught by the terms of this definition) that has been fully and fairly disclosed either to the market generally or

otherwise to the other party (the second party) in writing under this proviso immediately prior to the execution of the Merger Implementation Agreement and the change occurs as regards the first party substantially in accordance with those terms,

will not be taken into account in determining whether there has been a Material Adverse Change.

Material Contract means any contract which is or may reasonably be expected to be material to the assets, liabilities, financial position, profits, losses or operation of the entity which is party to it.

Merged Group means Lion One and its subsidiaries following implementation of the Merger (when Avocet will be a subsidiary of Lion One).

Merger means the acquisition by Lion One of all the Avocet Shares through the implementation of the Scheme in accordance with the Merger Implementation Agreement.

Merger Implementation Agreement means the Merger Implementation Agreement dated 21 December 2012 between Avocet and Lion One (as amended on 25 March 2013), the key terms of which are summarised in **Annexure C** to this Scheme Booklet.

New Lion One Shares means the new Lion One Shares (in the form of CDIs) to be issued under the terms of the Scheme as Scheme Consideration.

Option Cancellation Deed means the option cancellation deed entered into by the Avocet Optionholder and Lion One, agreeing to the cancellation of each Avocet Option for nil consideration.

Record Date means, in relation to the Scheme, 5.00pm (WST) on the fifth Business Day after the Effective Date or such other date as Avocet and Lion One agree in writing with the consent of ASX if necessary (as at the date of this Scheme Booklet, this day is expected to be 12 June 2013).

Related Body Corporate has the meaning given in the Corporations Act.

Relevant Interest has the meaning given in the Corporations Act.

Requisite Majority means in relation to a resolution to be put to a Scheme Meeting, a resolution passed by:

- (c) unless the Court orders otherwise, a majority in number (more than 50%) of Avocet Shareholders (as the case may be), who are present and voting, either in person or by proxy, attorney or in the case of a corporation, its duly appointed corporate representative; and
- (d) passed by at least 75% of the votes cast on the resolution.

RSM Bird Cameron means RSM Bird Cameron Corporate Pty Ltd (ACN 050 508 024).

Sale Agent means the nominee appointed to sell the New Lion One Shares that would otherwise have been issued to Ineligible Foreign Shareholders under the terms of the Scheme.

Scheme means the proposed scheme of arrangement between Avocet and Avocet Shareholders, set out in **Annexure D** to this Scheme Booklet, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Avocet and Lion One.

Scheme Booklet means this scheme booklet.

Scheme Consideration means 1 Lion One Share (in the form of a CDI) for every 9.5 Avocet Shares held by a Scheme Shareholder.

Scheme Meeting means the meeting of Shareholders ordered by the Court to be convened and to be held on 27 May 2013 to consider and, if thought fit, to approve the Scheme.

Scheme Shareholder means each person registered in the Share Register as the holder of Avocet Shares on the Record Date.

Second Court Date means the day on which the Court makes an order approving the Scheme pursuant to section 411(4)(b) of the Corporations Act.

Security Transfer Registrars Pty Ltd means Security Transfer Registrars Pty Ltd (ACN 127 175 946) of 150 Stirling Highway Nedlands, WA 6009.

Share Register means the register of members of Avocet, maintained by the Share Registry, in accordance with the Corporations Act.

Share Registry means Security Transfer Registrars Pty Ltd.

Small Shareholder means a Scheme Shareholder who will be entitled to receive 500 or less New Lion One Shares under the Scheme.

Subsidiary has the meaning given in the Corporations Act.

Superior Proposal means an Alternative Proposal in relation to Avocet that:

- (a) in the determination of the Avocet Board acting in good faith and supported by Avocet's legal advisers, is reasonably capable of being valued and completed, taking into account both the nature of the Alternative Proposal and the person or persons making it; and
- (b) in the determination of the Avocet Board acting in good faith and in order to satisfy what that board considers to be its fiduciary or statutory duties and supported by Avocet's legal advisers, would, if completed substantially in accordance with its terms, result in a transaction more favourable to Avocet Shareholders than the Transaction.

Third Party Consent means any consent, agreement, waiver, licence or approval from or by a party in respect of a contract involving Avocet or a Subsidiary or Avocet or Lion One or a Subsidiary of Lion One, which the parties have agreed, or subsequently agree, in writing is required for Implementation of the Scheme.

Transaction means:

- (a) the proposed acquisition of all the issued Avocet Shares by Lion One; and
 - (b) the proposed cancellation or acquisition of all the issued Avocet Options,
- on the terms set out in the Merger Implementation Agreement.

Voting Record Date means the date on which Shareholders need to be recorded in the Share Register in order to be entitled to vote at the Scheme Meeting (as at the date of this Scheme Booklet, this day is expected to be 25 May 2013).

In this Scheme Booklet (other than the Annexures):

- All dates and times are Perth, Western Australian times unless otherwise indicated.
- Words and phrases not otherwise defined in this Scheme Booklet (excluding the Annexures) have the same meaning (if any) as is given to them by the Corporations Act.
- The singular includes the plural and vice versa. A reference to a person includes a reference to a corporation.
- Headings are for ease of reference only and do not affect the interpretation of this Scheme Booklet.
- A reference to a section is to a section in this Scheme Booklet unless stated otherwise.

Annexure A

Independent Expert Report



RSM Bird Cameron Corporate Pty Ltd

Avocet Resources Limited

**Financial Services Guide and
Independent Expert's Report**

17 April 2013

**We have concluded that the Scheme IS IN THE BEST INTERESTS of the shareholders of Avocet
Resources Limited**

Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 (“RSM Bird Cameron Corporate Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
 - (a) basic deposit products;
 - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of the FSG.

Independent Expert's Report

TABLE OF CONTENTS

Page

1.	Introduction	6
2.	Summary and Conclusion	8
3.	Scope of the Report	13
4.	Summary of Scheme.....	16
5.	Profile of Avocet	19
6.	Profile of Lion One	26
7.	Profile of the Merged Entity.....	33
8.	Valuation Approach.....	36
9.	Valuation of Avocet and an Avocet share pre implementation of the Scheme.....	40
10.	Valuation of Lion One.....	45
11.	Valuation of Merged Entity.....	50
12.	Is the Scheme Fair to Avocet Shareholders	53
13.	Consideration of other factors relating to the Scheme.....	54

Appendix 1 – Declarations and Disclaimers

Appendix 2 – Sources of Information

Appendix 3 – Glossary of Terms

Appendix 4 – Overview of the Global Gold Industry and Fiji country analysis

Appendix 5 – Independent Assessment & Mineral Asset Valuation by Salva Resources Pty Ltd

17 April 2013

The Shareholders
Avocet Resources Limited
Level 3, 33 Ord Street
West Perth
Western Australia 6005

Dear Shareholders

Independent Expert's Report ("Report")

1. Introduction

- 1.1. On 24 December 2012 Avocet Resources Limited ("Avocet" or "the Company") announced that it had entered into a Merger Implementation Agreement ("MIA") with TSX Venture Exchange listed ("TSX-V") Lion One Metals Limited ("Lion One"), pursuant to which Lion One proposes to acquire all of the issued shares of Avocet to combine the operations of Lion One and Avocet to create a merged entity ("Merged Entity").
- 1.2. The proposed merger is to be implemented by way of a scheme of arrangement ("Scheme") under section 411 of the Corporations Act 2001 ("the Act"). Under the terms of the Scheme, the shareholders of Avocet ("Avocet Shareholders") will receive 1 Lion One share in the form of CHESS Depository Interests ("CDIs") for every 9.5 Avocet shares they hold, which is the equivalent of 0.1053 Lion One CDIs for each Avocet share they hold.
- 1.3. Avocet Shareholders are to consider a resolution seeking approval of the Scheme at a general meeting to be held on or about 27 May 2013 ("Scheme Meeting"). If the Scheme is approved by Avocet Shareholders and subsequently approved by the court the proposed merger between Avocet and Lion One will be implemented. Part 3 of Schedule 8 to the Corporations Act Regulations ("Regulations") prescribes the information to be sent to shareholders in relation to schemes of arrangement with members pursuant to section 411 of the Act. Schedule 8 of the Regulations requires a report prepared by an independent expert, which provides an opinion as to whether or not the proposed scheme is in the best interests of shareholders, to be sent to shareholders, if:
 - The corporation that is the other party to the scheme (Lion One) has a common director or directors with the company which is the subject of the scheme (Avocet); or
 - The corporation that is the other party (Lion One) is entitled to more than 30% of the voting shares in the subject company (Avocet).
- 1.4. Mr Stephen Mann is both a director of Avocet and Lion One and as such Avocet is required under Schedule 8 of the Regulations to provide its shareholders, with an independent expert report which sets out an opinion as to whether or not the Scheme is the best interests of Avocet Shareholders. Consequently the Directors of Avocet have requested that RSM Bird Cameron Corporate Pty Ltd ("RSM Bird Cameron"), being independent and qualified for the purpose, prepare this Report for Avocet

Shareholders which expresses an opinion as to whether the proposed Scheme is in the 'best interests' of Avocet's Shareholders.

- 1.5. Accordingly, we have prepared this Report for the purpose of stating, in our opinion whether or not the Scheme, and as such the proposed merger with Lion One, is in the best interests of Avocet Shareholders and to set out the reasons for that opinion. Our Report is to be included in the Scheme Booklet and Notice of Meeting to be sent to Avocet Shareholders in respect of the Scheme Meeting.
- 1.6. This Report represents general financial product advice only and has been prepared without taking into consideration the individual circumstance of Avocet Shareholders. The ultimate decision whether to approve the Scheme should be based on each Avocet Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. Avocet Shareholders should read and have regard to the contents of the Scheme Booklet and Notice of Meeting which has been prepared by the Directors and management of Avocet. Avocet Shareholders who are in doubt as to the action they take with regard to the Scheme and the matters dealt with in this Report, should seek independent professional advice.

2. Summary and Conclusion

Opinion

- 2.1. In the absence of any other relevant information and/or a superior proposal, RSMBCC considers the Scheme to be fair and reasonable to Avocet Shareholders and as such that the Scheme to be in the best interests of Avocet Shareholders. A summary of our reasons and the approach we have taken in assessing our opinion is set out in this Section of our Report.

Approach

- 2.2. In assessing whether the Scheme is “in the best interests” of Avocet Shareholders we have considered the Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 111 – Content of Expert Reports (“RG 111”), which provides specific guidance as to how an expert is to appraise a scheme of arrangement.
- 2.3. Upon completion of the Scheme, Avocet Shareholders will hold approximately 18.5% of the issued share capital of the Merged Entity on an undiluted basis, consequently we consider the Scheme to be a control transaction and that the Scheme is comparable to a takeover bid by Lion One for Avocet.
- 2.4. Therefore consistent with the guidance set out in RG 111, in assessing whether or not we consider the Scheme to be “in the best interests” of Avocet Shareholders, we have considered whether the Scheme is “fair” to Avocet Shareholders by assessing and comparing:
- The Fair Value of a share in Avocet on a control basis prior to the implementation of the Scheme; with
 - The Fair Value of the proposed consideration for each Avocet share under the Scheme, being the Fair Value of 0.1053 shares (in the form of CDIs) in the Merged Entity assessed on a non control basis.

and, considered whether the Scheme is “reasonable” to Avocet Shareholders by undertaking an analysis of the following factors relating to the Scheme:

- The rationale of the Scheme and its advantages and disadvantages of implementation to Avocet Shareholders;
 - Other significant factors which Avocet shareholders might consider prior to approving the Scheme; and
 - Alternatives to the Scheme.
- 2.5. Further information of the approach we have employed in assessing whether the Scheme is in “the best interests” of Avocet Shareholders is set out at Section 3 of this Report.

Is the Scheme Fair to Avocet Shareholders?

- 2.6. We have assessed that the Fair Value of an Avocet share pre the implementation of the Scheme on a control basis to be in the range of \$0.050 to \$0.067, and the Fair Value of the consideration being offered under the Scheme for each Avocet share being 0.1053 shares (in the form of CDIs) in the Merged Entity to be in the range of \$0.058 to \$0.072 (undiluted) and \$0.058 to \$0.071 (diluted) on a non control basis, as summarised in the table below.

	Fair Value	
	Low \$	High \$
Value of a share in Avocet pre implementation of the Scheme (Control basis)	0.050	0.067
<u>Fair Value of consideration offered under the Scheme</u>		
Value of 0.1053 shares (in the form of CDIs) in the Merged Entity (Undiluted non control basis)	0.058	0.072
Value of 0.1053 shares (in the form of CDIs) in the Merged Entity (Diluted non control basis)	0.058	0.071

Table 1: Comparison of Fair Value of Avocet share to consideration offered under the Scheme (Source: RSMBCC Analysis)

2.7. The above valuation ranges are depicted graphically below.

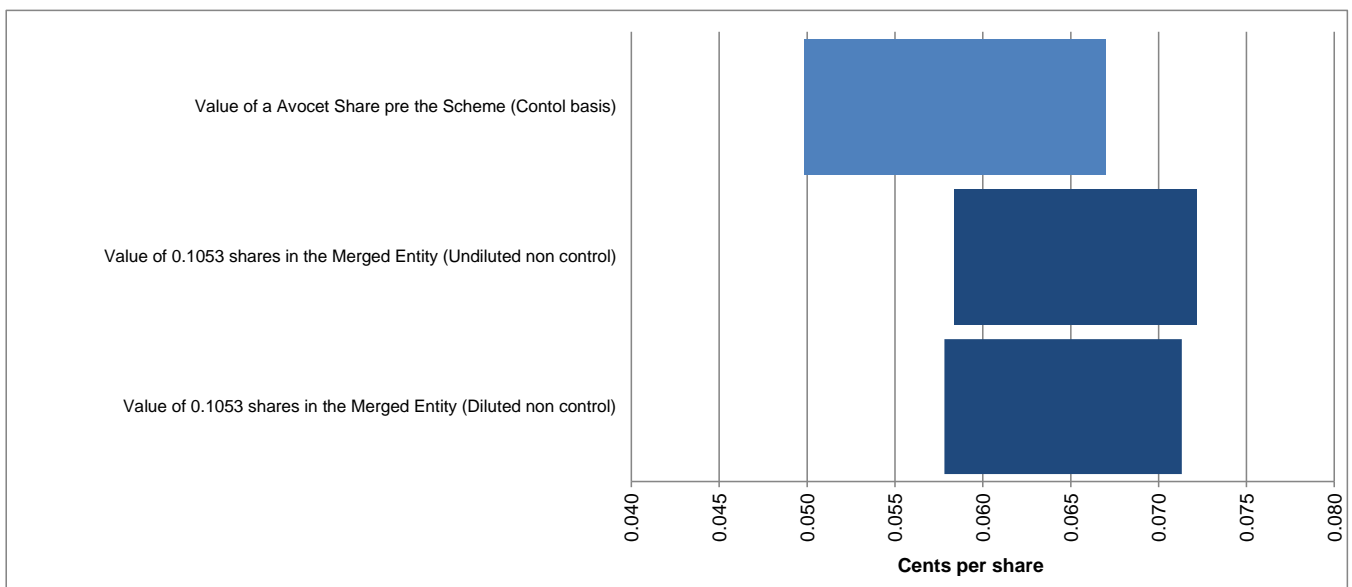


Figure 1: Graphical representation of assessed Fair Value of Avocet share to consideration offered under the Scheme (Source: RSMBCC Analysis)

- 2.8. Our analysis indicates that the Fair Value of the consideration being offered under the Scheme, being 0.1053 shares (in the form of CDIs) in the Merged Entity for each Avocet share assessed on a non control basis is greater than our assessment of the Fair Value of an Avocet share assessed on a control basis pre implementation of the Scheme. Therefore, we consider that the Scheme is fair to Avocet Shareholders and, as such, in the best interests of Avocet Shareholders.

Consideration of other factors relating to Scheme

- 2.9. Section 13 of this Report sets out our consideration of other factors relating to the implementation of the Scheme which are likely to be relevant to the decision of Avocet Shareholders as to whether or not to approve the Scheme. We set out a summary of these factors below.

Rationale for the Scheme

- 2.10. The Directors of Avocet believe the merger of Avocet and Lion One will create a Merged Entity which will be significantly stronger in terms of funding, assets, reserves, operations and people which should enable the Merged Entity to grow and generate greater shareholder value than is currently achievable by Avocet alone.

Future prospects of Avocet if the Scheme is not approved

2.11. We understand that, if the Scheme is not approved, Avocet will continue to develop its existing exploration assets. In this regard we note that as at 31 December 2012 the Company had cash of approximately \$3.9 million which is likely to provide sufficient funding for Avocet's operations for the short to medium term.

Key advantages and disadvantages of the Scheme

2.12. In our opinion, the key advantages of the Scheme which are likely to accrue to Avocet Shareholders upon implementation of the Scheme are:

- the Scheme is fair;
- The Scheme represents an opportunity for the Company to diversify its interests to include gold exploration and development in a highly prospective region;
- The Scheme may enhance the Company's ability to raise further capital due to the increased size and diversification of the Company and access to Lion One's listings on foreign exchanges (including the TSX-V, the Frankfurt Stock Exchange ("FSE") and the OTC Markets Group inc trading platform in New York ("OTCQX");
- The financial position of the Merged Entity will be stronger than the financial position of Avocet on a standalone basis. The Merged Entity has a pro forma cash position of approximately \$17.19 million compared to Avocet's cash balance as at 31 December of approximately \$3.9 million. This will assist in providing the necessary capital requirements to meet Avocet's long term planned exploration expenditures on its Australian and Argentine assets.
- Whilst trading in both Avocet and Lion One shares has historically been illiquid, comparatively Lion One's shares have had a greater level of liquidity and have traded more regularly than Avocet. Implementation of the Scheme may provide greater liquidity to Avocet Shareholders.
- The merger between Avocet and Lion One has the potential to realise cost synergies such as reduced corporate overheads and the rationalisation of management structures; and
- Lion One is seeking official quotation on the ASX, as such for those Avocet Shareholders who are eligible to receive CDIs under the Scheme these will be tradeable on the ASX.

2.13. In our opinion, the key disadvantages of the Scheme which are likely to accrue to Avocet Shareholders upon implementation of the Scheme are:

- Avocet Shareholders collectively will pass control of the operations and assets of Avocet to Lion One and their interest in Avocet's assets will be diluted from 100% to 18.5% on an undiluted basis and to 17.5% on a fully diluted basis;
- The Company will be changing the nature and scale of its activities to include gold exploration activities in Fiji, which may not be consistent with the objectives of all Shareholders;
- The risk profile of Avocet will change and Avocet will become exposed to the sovereign risks associated with operating in Fiji. We note that Fiji has been under military rule since 2009 following a coup; and

- There is a possibility that were Avocet Shareholders to reject the Scheme, a superior proposal, which may be more attractive to Avocet Shareholders than the Scheme, may arise in the future. By approving the Scheme, Avocet Shareholders will be foregoing the opportunity to appraise any superior proposals which may have eventuated.

Control of the Merged Entity

- 2.14. The board of the Merged Entity will be made up of the current board of Lion One, which includes Stephen Mann a current director of Avocet. Upon implementation of the Scheme, the Merged entity will have approximately 60,175,527 shares on issue and 3,463,667 options and will initially be owned basis approximately 18.5% and 81.5% (calculated on an undiluted basis) of and 17.5% and 82.5% (calculated on a fully diluted basis) by current Avocet Shareholders and Lion One shareholders, respectively.
- 2.15. Due to Canadian securities law, which only requires shareholders to disclose their shareholdings if they hold in excess of a 10% interest in the ordinary shares of a public company, we are unable to determine all the shareholders of Lion One and as such provide a definitive assessment of the pro-forma shareholders of the Merged Entity. However, based on the known shareholders of Lion One and Avocet, Walter Berukoff¹ will have an interest of approximately 38.56% in the Merged Entity following implementation of the Scheme. Whilst Walter Berukoff will not control the Merged Entity, an interest of this level is likely to provide Mr Berukoff with the ability to exert significant influence on the board composition and the future strategic direction of the Merged Entity.
- 2.16. Given that holders of Canadian securities are required to disclose their interests if it exceeds 10%, we can conclude that, other than Walter Berukoff, it is unlikely that any other shareholder will have in excess of a 10% interest in the Merged Entity.

Implied value of the Scheme consideration and premium based on market prices

- 2.17. The implied premium of the consideration offered under the Scheme ranges from 25.8% to 36.1% based on an analysis of the market prices of Avocet and Lion One pre the announcement of the Scheme. In the period post the announcement of the Scheme Lion One's share price has fallen relative to Avocet's, which is likely to be primarily due to its exposure to the recent fall in gold prices. The fall in Lion One's share price has resulted in the implied premium calculated based on the market prices of Avocet and Lion One post the announcement of the Scheme falling to a range of 12.7% and 21.8%, as summarised in the table below.

Period	Avocet \$	Lion One \$ ²	0.1053 Lion One \$	Implied premium %
Pre-announcement of the Scheme				
Close 21 December 2012	\$0.056	\$0.724	\$0.076	36.1%
10 Day VWAP	\$0.059	\$0.700	\$0.074	25.8%
30 Day VWAP	\$0.056	\$0.667	\$0.070	26.3%
60 Day VWAP	\$0.054	\$0.663	\$0.070	29.1%
90 Day VWAP	\$0.053	\$0.660	\$0.070	31.3%
Post announcement of the Scheme				
Close 16 April 2013	\$0.041	\$0.439	\$0.046	12.7%
10 Day VWAP	\$0.041	\$0.474	\$0.050	21.8%
30 Day VWAP	\$0.049	\$0.521	\$0.055	11.0%
60 Day VWAP	\$0.057	\$0.616	\$0.065	13.8%
VWAP of total trading since announcement	\$0.059	\$0.646	\$0.068	14.5%

Table 2: Analysis of implied premium (Source: S&P Capital IQ)

¹ 1,355,000 Lion One shares held by Walter Berukoff. 14,109,744 Lion One Shares held by Laimes Global Inc., 3,456,028 Lion One shares held by Red Lion Equities and 1,000 Lion One shares held by Red Lion Management.

² Lion One share price converted in to \$ based on daily \$:C\$ exchange rate

- 2.18. Further analysis on the trading in Avocet's and Lion One's shares is set out at Section 13.18 of this Report.

Alternative Proposals

- 2.19. The alternative to the Scheme is for Avocet Shareholders to vote against the Scheme in the hope that they can realise greater value from their investment in Avocet either through maintaining Avocet as an independent company or through the emergence of a superior proposal to the Scheme. There is no evidence to suggest that Avocet Shareholders would be better off under this alternative.

Tax implications

- 2.20. Whilst there would appear to be no significant tax implication of the Scheme each Avocet Shareholder is encouraged to seek professional tax advice to assist them in assessing the impact of the Scheme on their own individual tax position. RSMBCC has not considered the tax implication of the Scheme for Avocet or individual shareholders.

3. Scope of the Report

Purpose of this Report

- 3.1. The Scheme is to be implemented pursuant to section 411 of the Act. Part 3 of Schedule 8 of the Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to section 411 of the Act. Schedule 8 of the Corporations Act Regulations requires an independent expert report to be prepared if:
- The corporation that is the other party to the scheme (Lion One) has a common director or directors with the company which is the subject of the scheme (Avocet); or
 - The corporation that is the other party (Lion One) is entitled to more than 30% of the voting shares in the subject company (Avocet).
- 3.2. The expert must be independent and must state whether or not, in his or her opinion, the proposed scheme is in the best interests of the members of the company that is the subject of the scheme, and set out his or her reasons for that opinion.
- 3.3. Mr Stephen Mann is both a director of Avocet and Lion One as such Avocet is required under Schedule 8 of the Regulations to provide its shareholders, with an independent expert report which sets an opinion as to whether or not the Scheme is the best interests of Avocet Shareholders. Consequently the Directors of Avocet have requested RSMBCC, being independent and qualified for the purpose, prepare this Report which express an opinion as to whether the proposed Scheme is in the 'best interests' of Avocet's Shareholders.

Regulatory guidance

- 3.4. It is relevant to note that the expression "in the best interests" is not defined within either the Act or the Regulations. Therefore in determining whether the Scheme is in the best interests of Avocet Shareholders, we have had regard to the views expressed by the ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.
- 3.5. RG 111 prescribes that a key matter that an expert needs to consider when determining the appropriate form of analysis is whether or not the effect of the transactions is comparable to a takeover bid and is therefore representative of a change of control transaction. Where a scheme of arrangement would achieve substantially the same outcome as a takeover bid, RG 111 aligns "in the best interests" with the "fair and reasonable" test. While RG 111 does not define "fair and reasonable" it does provide some guidance as to how the terms should be interpreted in a range of circumstances. With respect to a takeover bid RG 111 applies the "fair and reasonable" test as two distinct criteria, stating:
- A takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
 - A takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

- 3.6. RG 111 contends that if an expert was to conclude that a scheme of arrangement is “fair and reasonable” if it was in the form of a takeover bid, it will also be able to conclude that the scheme is in the best interests of the members of the company.

Adopted basis of evaluation

- 3.7. Upon completion of the Scheme Avocet Shareholders will hold approximately 18.5% of the issued share capital of the Merged Entity on an undiluted basis, consequently we consider the Scheme to be a control transaction and that the Scheme is comparable to a takeover bid by Lion One for Avocet.
- 3.8. Therefore consistent with the guidance set out in RG 111 as summarised above, in assessing whether or not we consider the Scheme to be in “the best interests” of Avocet Shareholders we have considered whether the Scheme is “fair” by assessing and comparing:
- The Fair Value of a share in Avocet on a control basis prior to the implementation of the Scheme; and
 - The Fair Value of the proposed consideration under the Scheme for each Avocet Share, being the Fair Value of 0.1053 shares (In the form of CDIs) in the Merged Entity assessed on a non control basis.
- 3.9. On this basis, if the Fair Value of 0.1053 shares (in the form of CDIs) in the Merged Entity, assessed on a non control basis, is greater than the Fair Value of an Avocet share prior to the implementation of the Scheme, assessed on a control basis, then the Scheme and, as such, the proposed merger with Lion One, is in the best interests of Avocet Shareholders.
- 3.10. Our assessment of the Fair Value of a share in Avocet (Control basis) and the Fair Value of 0.1053 shares (in the form of CDIs) in the Merged Entity (Non control basis) has been prepared on a basis which is consistent with the following definition of Fair Value:
- “the amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm’s length”*
- 3.11. In assessing whether the Scheme is in the “best interests” of Avocet Shareholders, in addition to considering whether or not the Scheme is “fair” to Avocet Shareholders, we have also considered whether the Scheme is “reasonable” by undertaking an analysis of the following factors:
- The rationale of the Scheme and its advantages and disadvantages of implementation to Avocet Shareholders;
 - Other significant factors which Avocet Shareholders might consider prior to approving the Scheme; and
 - Alternatives to the Scheme.
- 3.12. Assessing the Fair Value of an Avocet share prior to the implementation of the Scheme on a control basis and 0.1053 shares (in the form of CDIs) in the Merged Entity on a non control basis has required an assessment of the Fair Value of Avocet, Lion One and the Merged Entity. These assessments are set out at the following Sections of this Report:
- Avocet – Section 9;
 - Lion One – Section 10; and

- Merged Entity – Section 11.
- 3.13. A comparison of the Fair Value of the consideration offered under the proposed Scheme and the Fair Value of an Avocet share prior to the implementation of the Scheme is set out in Section 12 of this Report. Other considerations which have formed the basis of our assessment of whether the Scheme is in the “best interests” are contained in Section 13 of this Report.
- 3.14. Our assessment of the proposed Scheme is based on economic, market and other conditions prevailing at the date of this Report.

Federal Court of Australia

- 3.15. We confirm that we have read, understood and complied with the Federal Court of Australia Practice Note CM7 “Expert Witnesses in Proceedings in the Federal Court of Australia”.

4. Summary of Scheme

- 4.1. On 24 December 2012, Avocet announced to the ASX that it had executed a MIA with TSX-V listed Lion One Metals Limited on 21 December 2012. Under the MIA, Lion One proposes to acquire all the issued shares of Avocet by way of a scheme of arrangement to form the Merged Entity.

Transaction structure and consideration

- 4.2. Under the proposed Scheme, Avocet Shareholders will receive 1 new Lion One share in the form of CDIs for every 9.5 Avocet shares they hold, which is the equivalent of 0.1053 Lion One shares in the form of CDIs for each Avocet share they hold.
- 4.3. The Scheme sets out that ineligible foreign shareholders (being those whose address as shown on the Share Register at the Record Date is outside of Australia, Canada, New Zealand, Singapore and the United Kingdom) will not be entitled to receive new Lion One shares (in the form of CDIs) in connection with the Scheme but will rather receive the net proceeds from the sale of the new Lion One shares (in the form of CDIs) they would otherwise be entitled to receive.
- 4.4. The Scheme also states that small shareholders (being shareholders entitled to receive 500 or less new Lion One shares in the form of CDIs) may elect to have all the new Lion One shares (in the form of CDIs) they are entitled to under the Scheme to be sold and to receive the net proceeds from this sale.
- 4.5. If pursuant to the calculation of new Lion One shares (in the form of CDIs) receivable by Avocet Shareholders, the Avocet Shareholders are entitled to a fraction of a new Lion One share (in the form of a CDI), the fractional entitlement will be as follows:
- If less than 0.5 of a new Lion One share (in the form of a CDI), will be rounded down to the nearest whole number of new Lion One Shares; and
 - If 0.5 or more of a new Lion One share (in the form of a CDI), will be rounded up to the nearest whole number of New Lion One Shares.

It therefore follows that if an Avocet Shareholder holds less than 9.5 shares in Avocet on the record date, Lion One will issue that Avocet Shareholder 1 new Lion One share (in the form of a CDI).

- 4.6. An application will be made for Lion One to be admitted to the official list of the ASX, with the CDIs issued to Avocet Shareholders pursuant to the Scheme being traded on the ASX.

Conditions precedent

- 4.7. Implementation of the Scheme is subject to the following remaining conditions precedent being satisfied:
- Any regulatory approvals necessary (including from the ASX, ASIC or TSX-V) to implement the Scheme being obtained;
 - The Independent Expert does not change its conclusion, that the Scheme is in the best interests of Avocet Shareholders, or withdraw its support before the day on which the court makes an order approving the Scheme pursuant to section 411(4)(b) of the Act ("Second Court Date");
 - No Avocet Material Adverse Change (As defined in the Scheme Booklet) occurring before the Second Court Date;

- No Avocet Prescribed Event (As defined in the Scheme Booklet) occurring before the Second Court Date;
- No Lion One Material Adverse Change (As defined in the Scheme Booklet) occurring before the Second Court Date;
- No Lion One Prescribed Event (As defined in the Scheme Booklet) occurring before the Second Court Date;
- The Avocet Board does not change or withdraw its recommendation to vote in favour of the Scheme and all resolutions (if any) incidental to the Scheme, before the Scheme Meeting;
- Approval of the Scheme by the requisite majority of Avocet Shareholders in accordance with the Corporations Act;
- Court approval of the Scheme in accordance with the Act;
- All Third Party Consents (As defined in the Scheme Booklet) are granted or obtained in respect of Implementation and those consents, agreements, waivers, licences or approvals are not withdrawn, cancelled or revoked;
- ASX granting all regulatory approvals reasonably necessary for admission of Lion One to the official list of the ASX, and the approval of official quotation of the Lion One CDI's to be issued pursuant to the Scheme;
- No court order or other legal restraint being issued that prohibits or prevents the Scheme occurring before the Second Court Date;
- No action taken, or order or decree made by, a Government Agency which prohibits or prevents the scheme occurring before the Second Court Date;
- The representations and warranties made by Avocet in the MIA being true and correct, as at the Second Court Date; and
- The representations and warranties made by Lion One in the MIA being true and correct, as at the Second Court Date.

4.8. Further disclosure on the conditions precedent to the Scheme is set out at section 12.2 and 12.3 of the Scheme Booklet.

Break fees

4.9. A reciprocal break fee of \$150,000 is in place if the Scheme is not completed in certain circumstances. Full details on the circumstances in which the break fee is payable by either Lion One or Avocet is set out at section 8 of Annexure C of the Scheme Booklet.

Board structure of the Merged Entity

4.10. Upon implementation of the Scheme, it is proposed that the board of directors of the Merged Entity will comprise all of the current directors of Lion One being:

- Mr Walter Berukoff;
- Mr George Young;
- Mr Richard Meli;
- Mr David Duval;

- Mr Stephen Mann; and
- Mr Hamish Greig.

Share Structure of the Merged Entity

4.11. The table below sets out a summary of the securities to be issued under the Scheme, the proposed number of securities which will be on issue in the Merged Entity (Lion One) upon implementation of the Scheme and the relative interests of Avocet Shareholders and Lion One shareholders in the Merged Entity.

Summary of the Scheme	Shares		Options		Total securities	
	#	%	#	%	#	%
Lion One shares (in the form of CDI's) to be issued under the Scheme						
Avocet shares and options on issue at the date of this report	105,513,653	N/A	500,000	N/A	106,013,653	N/A
Exchange ratio	0.1053	N/A	-	N/A	-	N/A
Shares in the Merged Entity to be issued to Avocet Shareholders	11,106,700	N/A	-	N/A	11,106,700	N/A
Capital structure of Merged Entity (Lion One) after implementation of Scheme						
Avocet Shareholder's interest in Merged Entity	11,106,700	18.5%	-	-	11,106,700	17.5%
Lion One shareholders interest in Merged Entity	49,068,827	81.5%	3,463,667	100.0%	52,532,494	82.5%
Total securities on issue in Merged Entity	60,175,527	100.0%	3,463,667	100.0%	63,639,194	100.0%

Table 3: Capital structure of the Merged Entity post implementation of the Scheme (Source: RSMBCC analysis and Scheme Booklet)

- 4.12. Should Avocet Shareholders approve the Scheme, collectively they will hold approximately 18.5% of the issued share capital of the Merged Entity on an undiluted basis and 17.5% on a fully diluted basis after reflecting the 3,463,667 Lion One share options on issue at the date of this Report.
- 4.13. We note that the above calculations ignore roundings and as such the final number of shares to be issued by Lion One under the Scheme may vary. There are currently 500,000 share options on issue in Avocet, which are held by Mr Walter Berukoff, a director of Lion One. Mr Berukoff has entered into an agreement with Lion One, pursuant to which Mr Berukoff has agreed for his 500,000 options in Avocet to be cancelled for nil consideration.

Rationale for the Scheme

4.14. The Directors and management of Avocet are of the opinion that the merger of Avocet and Lion One will result in the creation of a Merged Entity which combines the assets, resources, operations and people which should enable the Merged Entity to generate greater shareholder value than that which is currently achievable by Avocet and Lion One alone. Furthermore the Directors and management of Avocet believe the Scheme provides Avocet shareholders with the opportunity to become involved in a company with an advanced exploration and development profile, compared to Avocet as a stand-alone entity and access to additional exploration funding to fund exploration and development of Avocet's assets which will be provided through the materially strong cash position of the Merged Entity compared to Avocet's current position.

5. Profile of Avocet

History

- 5.1. Avocet is an Australian based exploration company established primarily to acquire, explore and evaluate deposits of uranium, precious metals and iron ore across Australia and South America.
- 5.2. Avocet was originally incorporated on 18 March 2005 as Fast Reactor Pty Ltd, an Australian Proprietary Company. On 18 November 2005 the Company's name was changed to U3O8 Limited and its status was changed to an unlisted public company. U3O8 Limited was admitted to the official list of the Australian Securities Exchange on 8 May 2006 and on 30 May 2012, the Company's name was changed again to Avocet Resources Limited to signify a diversification in mineral exploration activities so as not to be limited to uranium exploration.

Projects

- 5.3. Avocet currently has interests in several exploration projects located in both Australia and Argentina. We set out an overview of each of Avocet's projects in the subsequent paragraphs of this Report.

Australian Exploration Projects

Ashburton Project – Western Australia (Various interests)

- 5.4. The Ashburton Project is situated south of Paraburdoo in the Pilbara region of Western Australia and comprises of 19 granted exploration tenements spread across three project areas including:
 - **The Saltwater Pool Joint Venture** which is prospective for gold, silver and other commodities consists of three exploration tenements (E52/1890, E52/1892 & E52/1940) currently owned by Cullen Exploration Pty Ltd ("Cullen") and Thundelarra Exploration Ltd ("Thundelarra"). On 31 March 2011 Avocet entered into an agreement with Cullen and Thundelarra subject to which Avocet will earn a 51% interest in three tenements, providing it spends a minimum of \$1.1 million on exploration activities on the tenements in the three years post 31 March 2011;
 - **Cameco Australia Pty ("Cameco") / Avocet Ashburton Joint Venture** is a 50:50 joint venture which comprises of 13 tenements (E52/1879, E52/1880, E52/1893, E52/2032, E52/1914, E52/1915, E52/1916, E52/1917, E52/2446, E52/2447, E52/2448, E52/2449 & E52/2450) which is prospective for uranium, rare earths and precious metals. Up until 31 October 2012 both parties were contributing equally to the cost of exploration, however Cameco has given notice that it will no longer contribute to the exploration expenditures of the Ashburton Joint Venture. It will, however, remain a joint venture partner with a diluted interest in the project; and
 - **Wholly owned tenements** - Avocet holds a 100% interest in three tenements (E52/2698, E52/2767 & E52/2125). These tenements are prospective for gold, silver and possibly uranium.

Wabli Creek Project – Western Australia (100% interest)

The Wabli Creek Project is approximately 10 kilometres south-east of the Yinnietharra Mine in the Gascoyne region of Western Australia and consists of two tenements (E09/1178 & E09/1213) prospective for uranium.

- 5.5. In the quarter to 31 December 2012, a small reverse circulation drilling program was undertaken at the Minindi Creek Prospect on the Wabli Creek tenements which completed the drilling of 32 holes.

Olary Creek Project – South Australia (25% interest)

- 5.6. The Olary Creek Project is located within South Australia, approximately 70 kilometres south-west of Broken Hill and consists of one exploration license (EL4664). The project is situated a short distance south of the Barrier Highway and the Indian Pacific railway line.

- 5.7. Results from 55 diamond and reverse circulation drill holes completed between July 2011 and June 2012 indicated significant mineralised intersections including significant iron grades with low impurities.

- 5.8. Exploration expenditures on iron and manganese rights at Olary Creek are incurred by Avocet's joint venture partner on the project, HJH Nominees ("HJH"), a private Chinese company and its partner "HJK". Avocet does not intend to expend exploration dollars on the project apart from general management oversight costs. As at the date of this report, HJH and HJK have spent approximately \$7 million on exploration and hold 75% equity in the joint venture, while Avocet holds 25%. Avocet's 25% interest is free carried to the completion of a bankable feasibility study and decision to mine.

Westmoreland Project - Queensland (100% interest)

- 5.9. The Westmoreland Project is 100% owned by Avocet and comprises of two granted tenements (EPM 16010 & EPM 14964) located approximately 15 kilometres south of the Westmoreland homestead in the north western part of Queensland. It is located east and north east of the Westmoreland uranium deposits.

- 5.10. The Westmoreland uranium deposits comprise three mineralised zones with total inferred resources for the Redtree, Huarabagoo and Junnagunna deposits of around 21,000 tonnes contained U_3O_8 (at 0.12% U_3O_8).

Ardmore Project - Queensland (100% interest)

- 5.11. The Ardmore Project comprises a single tenement (EPM 15006) which is 100% owned by Avocet and is located approximately 100 kilometres south of Mount Isa, Queensland. The project covers the Eastern Creek Volcanics which are considered prospective for base metal and uranium mineralisation.

- 5.12. Rock chip sampling performed in 2010 returned results of up to 0.54% U_3O_8 and 0.4% V_2O_5 .

Argentine Exploration Projects

- 5.13. Avocet established a 100% owned subsidiary Piche Resources Pty Ltd ("Piche") in Australia and a branch of Piche in Argentina as a vehicle for the Company's exploration activities in South America. Piche currently has interests in three project areas in the Chubut Province of Argentina, which are collectively referred to throughout this Report as the Argentine Exploration Projects. An overview of the three project areas and Avocet's interest in these areas is set out below.

Cerro Chacon Joint Venture (Right to earn up to 100%)

- 5.14. The Cerro Chacon project consists of 11 tenements covering an area of around 419 square kilometres in the province of Chubut in Argentina's Patagonia region. Exploration on the site commenced in May 2012, with the site prospective for low sulphidation epithermal gold-silver mineralisation.
- 5.15. In March 2012, Avocet announced that Piche had entered into a formal joint venture agreement with MH Argentina S.A (a subsidiary of Hochschild Mining PLC) pursuant to which Piche has the right to earn 60% by spending at least US\$500,000 on exploration on the project during the first three years of the agreement. Piche can earn 100% of the project by commencement of mining within 10 years of commencement of the joint venture, at which time, MH Argentina S.A's interest will convert to a 3% NSR royalty, which can be reduced by Piche to 1.5% by payment of US\$1.5 million.

Sierra Cuadrada Joint Venture (Right to earn up to 51% interest)

- 5.16. Sierra Cuadrada covers an area of 700 square kilometres within the southern half of Chubut province in Argentina's Patagonia region. The area is prospective for sandstone hosted uranium mineralisation.
- 5.17. On 4 March 2013, the Company announced that Piche had entered into a formal farm in and joint venture agreement with Canadian based exploration company U3O8 Corporation, pursuant to which Piche has the right to earn a 51% interest in the joint venture by spending at least US\$1 million in exploration within the next four years.

Sierra Cuadrada Applications (100% interest)

- 5.18. Avocet has a 100% interest in four tenement applications which comprise the Sierra Cuadrada Joint Venture. Avocet's Directors have indicated that one of these tenements may not be granted due to an overlapping previous tenement, that no work has yet been undertaken on these tenements and that their grant is not imminent.

Board of Directors

- 5.19. The following individuals currently comprise Avocet's Board of Directors:
- Mr Philip Lucas – Non-Executive Chairman
 - Mr Stanley Macdonald – Non-Executive Director
 - Mr Stephen Mann – Managing Director

Financial Performance

- 5.20. The following table sets out a summary of the financial performance of Avocet for the period ended 31 December 2012 sourced from the Company's half year reviewed financial report, and the years ended 30 June 2011 and 30 June 2012 sourced from Avocet's audited financial statements.

Avocet Resources Ltd Financial performance	Ref.	6 months ended 31-Dec-12 \$	Year ended 30-Jun-12 \$	Year ended 30-Jun-11 \$
Gain on sale of tenements	5.22	-	-	4,659,840
Other income	5.23	60,000	124,414	131,614
Total income		60,000	124,414	4,791,454
Expenses				
Administrative expenses	5.24	245,329	675,685	643,947
Exploration expenditure impaired / written off	5.25	2,449,350	1,762,792	109,257
Other expenses	5.26	140,059	242,335	134,835
Total expenses		2,834,738	2,680,812	888,039
Net interest income		85,931	285,812	245,920
Net Profit Before Tax	5.21	(2,688,807)	(2,270,586)	4,149,335

Table 4: Avocet Financial Performance (Source: Avocet 2013 half year financial report & 2012 Avocet financial report)

- 5.21. In the year ended 30 June 2012, the Company generated a loss of \$2.3 million compared to a net profit of \$4.1 million in the period ended 30 June 2011. The profit generated in 2011 was primarily due to a gain of approximately \$4.7 million recognised on the sale of tenements. In the six month period to 31 December 2012, Avocet recorded a loss of approximately \$2.7 million.
- 5.22. The gain on the sale of tenements in the year ended 30 June 2011 consisted of the sale of the Dawson Hinkler Uranium Project to Toro Energy Limited for a total sale price of \$6.2 million. The sale was finalised on 10 December 2010.
- 5.23. Other income in the years ended 30 June 2011 and 2012 and the period ended 31 December 2012 primarily consisted of management fees pertaining to Avocet's joint venture projects.
- 5.24. Administrative expenses are composed of personnel expenses (including wages, salaries and directors remuneration), advertising expenses, communication and information services, bank charges, office administration costs and share registry and statutory fees.
- 5.25. Exploration expenditures impaired / written off represent the relinquishment of areas of interest in the years ended 30 June 2011 and 30 June 2012. The impairment charge of approximately \$2.4 million recognised in the six months ended 31 December 2012, represents the difference between the carrying value of Avocet's exploration assets and their implied fair value under the terms of the Scheme.
- 5.26. Other expenses are composed of professional fees (including accounting and legal), depreciation and amortisation expenses, motor vehicle, travel and other minor expenses.

Financial Position

5.27. The table below sets out a summary of the financial position of Avocet as at 30 June 2012 sourced from Avocet's audited financial statements and 31 December 2012 sourced from the Company's half year reviewed financial report.

Avocet Resources Ltd Financial position	Ref	31-Dec-12 Unaudited \$	30-Jun-12 Audited \$
ASSETS			
Current assets			
Cash and cash equivalents	5.28	3,911,430	4,649,733
Other receivables		71,197	155,960
Prepayments		26,144	42,680
Total current assets		4,008,771	4,848,373
Non-current assets			
Other receivables		88,353	47,461
Plant & equipment	5.29	44,461	52,260
Exploration & evaluation expenditure	5.30	3,716,488	5,611,196
Total non-current assets		3,849,302	5,710,917
Total assets		7,858,073	10,559,290
LIABILITIES			
Current liabilities			
Trade and other payables		148,073	161,077
Employee benefits	5.31	70,264	60,671
Total current liabilities		218,337	221,748
Non-current liabilities			
Trade and other payables		-	12,000
Employee benefits	5.31	32,070	29,069
Deferred tax liabilities		-	-
Total non-current liabilities		32,070	41,069
Total liabilities		250,407	262,817
NET ASSETS	5.28	7,607,666	10,296,473

Table 5: Financial Position of Avocet as at 30 June 2012 and 31 December 2012(Source: *Avocet 2013 half year financial report & 2012 Avocet financial report*)

- 5.28. Avocet had disclosed net assets of approximately \$7.6 million as at 31 December 2012, which primarily comprised of cash and cash equivalents of \$3.9 million and capitalised exploration expenditures of \$3.7 million.
- 5.29. As at 31 December 2012 Avocet disclosed plant and equipment with a net book value of approximately \$44,000 which included motor vehicles, fixtures and fittings, office equipment and field equipment
- 5.30. Avocet's exploration and evaluation expenditure decreased from approximately \$5.6 million as at 30 June 2012 to approximately \$3.7 million as at 31 December 2012 as a result of the impairment of \$2.4 million discussed at paragraph 5.25, which was partially offset by capitalised expenditure in the period of approximately \$0.5 million.

5.31. Employee benefits relate to liabilities for annual leave, superannuation and long service leave.

Capital Structure

5.32. The capital structure of Avocet as at the date of this Report is set out below:

Avocet capital structure	Number
Ordinary shares on issue	105,513,653
Options (Exercisable at \$0.25 on or before 18 November 2013)	500,000
Fully diluted number of securities on issue	106,013,653

Table 6: Avocet capital structure (Source: Avocet management)

5.33. The top 20 shareholders of Avocet as at 10 January 2013 is summarised in the following table.

	Number	%
GIRALIA RESOURCES LIMITED	15,829,325	15.0%
HSBC CUSTODY NOMINEES	10,450,337	9.9%
YANDAL INVESTMENTS PTY LTD	6,500,000	6.2%
JP MORGAN NOMINEES AUSTRALIA	2,656,854	2.5%
ABINGDON NOMINEES PTY LTD	2,546,067	2.4%
MR JOHN BEVAN TILBROOK	1,913,011	1.8%
MR GRAHAM DOUGLAS RILEY	1,909,273	1.8%
MR STANLEY ALLAN MACDONALD	1,737,065	1.6%
GREY WILLOW PTY LTD	1,632,530	1.5%
NATIONAL NOMINEES LIMITED	1,579,880	1.5%
MR JOHN BEVAN TILBROOK	1,536,514	1.5%
MS NADA GRANICH	1,382,160	1.3%
NEFCO NOMINEES PTY LTD	1,247,503	1.2%
CLATWORTHY NOMINEES LIMITED	1,000,000	0.9%
CHOTAI INTERNATIONAL PTY LTD	1,000,000	0.9%
MR WALTER MICK GEORGE YOVICH	991,600	0.9%
MR WILLIAM HENRY HERNSTADT	900,000	0.9%
MR CHRISTOPHER JOHN FONE	809,528	0.8%
MR DAVID ANTHONY KIRK	700,000	0.7%
MRS ROBYN LESLEY WATTS	700,000	0.7%
Total top 20	57,021,647	54.0%
Other shareholders	48,492,006	46.0%
Total ordinary shares on issue	105,513,653	100%

Table 7: Top 20 shareholders as at 10 January 2013 (Source: Avocet share register 10 January 2013)

5.34. The top 20 shareholders of Avocet hold approximately 54% of the total number of ordinary Avocet shares on issue.

Share price performance

5.35. Avocet’s daily closing share price and volumes traded, for the period from 17 April 2012 to 16 April 2013 are shown in the figure below.

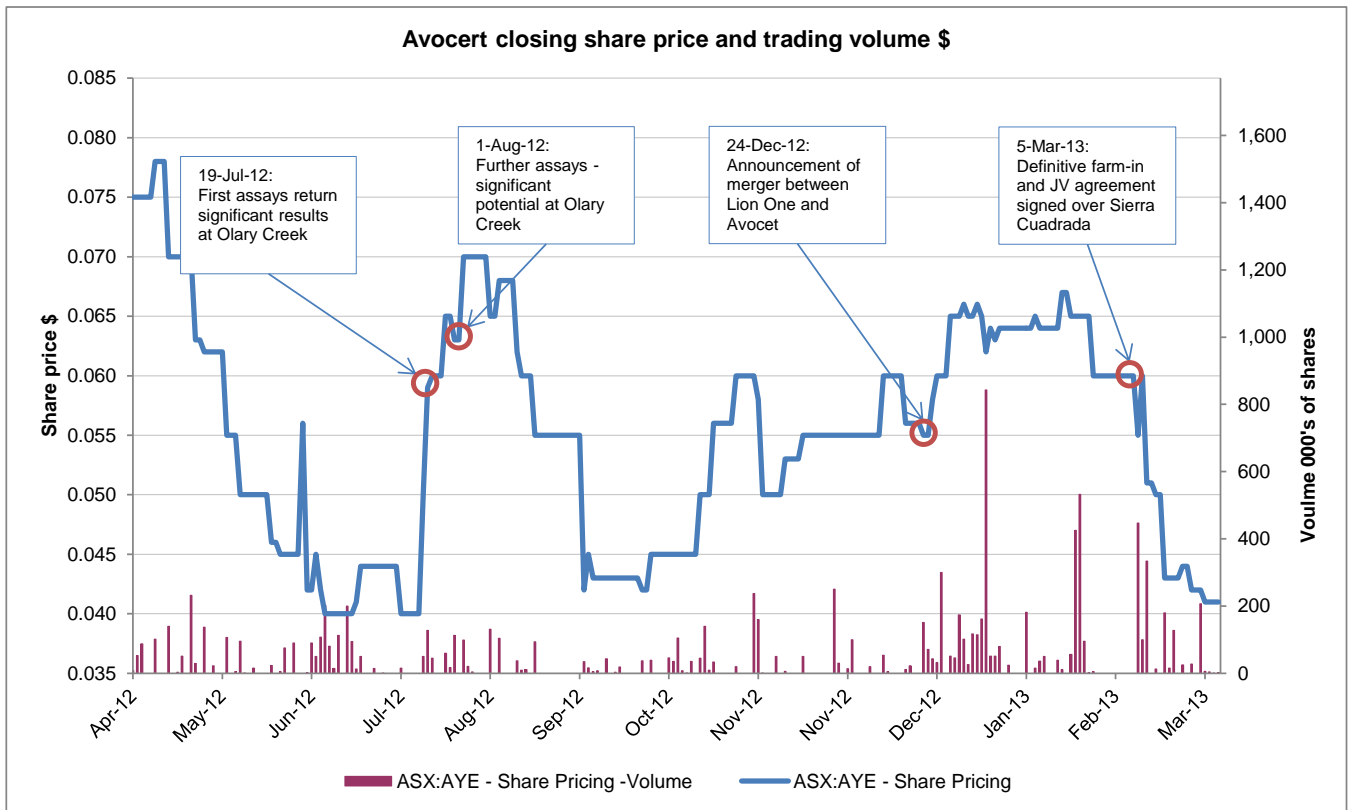


Figure 2: Avocet Daily Closing Share Price and Traded Volumes (Source: S&P Capital IQ)

- 5.36. Avocet’s shares traded between a low of \$0.04 on 19 June 2012 and a high of \$0.075 on 17,18 and 19 April 2012, in the period from 17 April 2012 and 16 April 2013.
- 5.37. Between 19 July 2012 and 1 August 2012, the Company announced positive assay results for its Olary Creek Project in South Australia, which corresponded with an increase in the share price from \$0.04 on the day before the first announcement (18 July 2012) to a high of \$0.07 in the week subsequent to the second announcement.
- 5.38. Avocet’s share price closed at \$0.055 on 24 December 2012, the date of the announcement of the Scheme, as compared to the last trade prior to the announcement of \$0.056 on 21 December 2012.
- 5.39. On 5 March 2013, Avocet announced that it had signed a definitive farm-in and joint venture agreement with Canadian based U3O8 Corporation with regards to the Sierra Cuadrada project in Argentina. Whilst this resulted in an increased volume in the number of Avocet shares traded in the days immediately post the announcement on 6 March 2013 and 7 March 2013 (totalling approximately 550,000 shares traded) the announcement did not appear to have any significant impact on the price of Avocet’s shares.

6. Profile of Lion One

History

- 6.1. Lion One is a Canadian registered TSX-V listed public company which was created on 28 January 2011 following the reverse takeover of X-Tal Minerals Corporation (“X-Tal”) by American Eagle Resources Incorporated (“AME”). Concurrent with the reverse takeover X-Tal changed its name to Lion One Metals Limited.
- 6.2. Lion One is incorporated under the laws of British Columbia, Canada and has its head office and registered and records office at 311 West 1st Street in North Vancouver BC, Canada.
- 6.3. Prior to the reverse takeover, X-Tal had no assets other than cash and taxes recoverable and had no commercial operations.
- 6.4. AME had no substantive operations until 18 September 2008 when it entered into an agreement to purchase 100% of the outstanding shares of Limes International Incorporated, a British Virgin Islands company that owns, through its subsidiary Lion One Limited, the Tuvatu mineral property on the Fijian island of Viti Levu.
- 6.5. Lion One Limited has been issued five Special Prospecting Licenses (“SPLs”) allowing it to explore the Tuvatu, Delaikoro and Vunimoli properties and requiring minimum expenditures during the term of the licenses. The details of the SPLs held by Lion One Limited are set out below.

Lion One Metals Ltd			Bond	Bond	Expenditure	Expenditure
SPLs	Issued	Expires	Fijian \$	Canadian \$	requirement Fijian \$	requirement Canadian \$
SPL 1283	01-Jul-10	30-Jun-13	10,000	5,682	2,100,000	1,193,220
SPL 1296	01-Jul-10	30-Jun-13	10,000	5,682	2,100,000	1,193,220
SPL 1465	01-Jul-10	30-Jun-13	10,000	5,682	1,800,000	1,022,760
SPL 1467	01-Jul-11	15-Apr-12	11,000	6,250	110,000	62,502
SPL 1468	01-Jul-11	15-Apr-12	4,000	2,273	40,000	22,728
			45,000	25,569	6,150,000	3,494,430

Table 8: Special Prospecting Licenses held by Lion One Limited (Source: Lion One Interim Financial Statements)

- 6.6. SPL 1467 and SPL 1468 are currently the subject of renewal applications.

Corporate and ownership structure

- 6.7. The capital structure of Lion One as at the date of this Report is set out below:

Lion One capital structure	Number
Ordinary shares on issue	49,068,827
Options (Various exercise prices)	3,463,667
Fully diluted number of securities on issue	52,532,494

Table 9: Lion One capital structure (Source: Lion One Metals Limited website)

- 6.8. Under Canadian securities laws, if shareholders hold less than 10% of a Canadian listed entity they are entitled to categorise themselves as “objecting” (aka “Obos”) or “non-objecting” (aka “Nobos”). By registering as such, Obos are noting the fact that they object to their interest and their details being disclosed to the company albeit only up to 10% at which level Canadian securities law makes disclosure mandatory; Nobos on the other hand are noting the fact that they do not object to their shareholdings and their details being disclosed to the company.
- 6.9. The table below sets out a summary of the shareholders of Lion One as at 31 December 2012, with the holding of CDS & Co (NCI) which accounts for approximately 88.4% of the total number of Lion One shares on issue representing the holding of the Obos i.e those shareholders who have objected to their interest and identity being disclosed to Lion One.

	Number	%
CDS & CO (NCI)	43,209,943	88.4%
JAYVEE & CO TR FRANKLIN GOLD AND PRECIOUS METALS FUND	2,935,000	6.0%
AQR FUNDS - AQR DIVERSIFIED ARBITRAGE FUND	775,282	1.6%
JEFFERIES & COMPANY	300,000	0.6%
CARVELL CAPITAL INC	250,000	0.5%
MIRANDA BERUKOFF TR GEORGE S YOUNG	225,000	0.5%
GOLDEN MILE INVESTMENT LTD	137,500	0.3%
GEORGE S YOUNG	110,000	0.2%
MIRANDA BERUKOFF	100,000	0.2%
SANDY KLEIN	100,000	0.2%
CEDE & CO	96,496	0.2%
MIRANDA BERUKOFF TR STEPHANIE MARTEL	90,000	0.2%
MIRANDA BERUKOFF TR HAMISH GREIG	90,000	0.2%
AQR OPPORTUNISTIC PREMIUM OFFSHORE FUND LP	88,263	0.2%
CNH DIVERSIFIED OPPORTUNITIES MASTER FUND LP	53,115	0.1%
LOM NOMINEES LTD TR BRIEN LUNDIN	50,000	0.1%
HOWARD D DOROGH	35,000	0.1%
STERNE AGEE & LEACH INC CUST PAT SCHNEIDER IRA	30,862	0.1%
OLIVER SCHLEYPEN	27,000	0.1%
MICHAEL H THIEL	20,000	0.0%
Total shareholders	48,723,461	99.7%
Other shareholders	145,366	0.3%
Total ordinary shares on issue at 31 December 2012	48,868,827	100%
Ordinary shares issued subsequent to 31 December 2012	200,000	N/A
Total ordinary shares on issue at the date of this Report	49,068,827	N/A

Table 10: Analysis of Lion One shareholders as at 31 December 2012 (Source: Lion One share register 31 December 2012)

- 6.10. Section 8.9 of the Scheme Booklet sets out that Lion One is also aware of the following significant shareholders which are classified as CDS & CO (NCI) in the above table.

	Number	%
2. Walter Berukoff group	3. 18,921,772	4. 38.6%
6. Pala Investments	7. 3,225,806	8. 6.6%

Table 11: Lion One significant shareholders (Source: Scheme Booklet)

- 6.11. Of Walter Berukoff's interest in Lion One, 1,355,000 Lion One shares are held directly by Walter Berukoff, 14,109,744 Lion One shares held by Laimes Global Inc., 3,456,028 Lion One shares held by Red Lion Equities and 1,000 Lion One Shares held by Red Lion Management

Overview of the Tuvatu Project

- 6.12. The Tuvatu Project is located on the main island of Viti Levu in Fiji, approximately 20km east of Nadi, the third largest town on the island. The project is held within three contiguous SPLs (1283, 1296 and 1465) that collectively cover 105 square kilometres.
- 6.13. The Tuvatu Project has a inferred resource of 480,000 ounces of gold (2,618,000 tonnes at 5.71 g/t Au), and indicated mineral resources of 172,000 ounces (760,000 tonnes at 7.05 g/t Au), based on the definitions of mineral resource set out in the Salva Resources Report at Appendix 5.
- 6.14. The Tuvatu deposit lies along the Viti Levu trend, 50 kilometres from the larger Vatukoula deposit, which holds approximately 11 million ounces of gold (with around 7 million ounces produced to date). Both deposits are hosted in collapsed caldera structures in similar suits of rocks with similar ages attributed to the mineralising events. Metallurgical studies have concluded that a combination of gravity and conventional floatation would yield gold recoveries in excess of 90%.
- 6.15. Further information on the Tuvatu Project is provided at Appendix 5 and an overview of the global gold industry and the Fiji Mining Industry is summarised at Appendix 4 of this Report.

Financial position

6.16. The table below sets out a summary of the consolidated financial position of Lion One as at 31 December 2012 denominated in Canadian Dollars (“C\$”) sourced from Lion One’s unaudited interim financial statements for the three and six month periods ended 31 December 2012 (“Lion One interim Financial Statements”).

Lion One Metals Ltd		31-Dec-12
Financial position		Unaudited
	Ref	C\$
ASSETS		
Current assets		
Cash and cash equivalents	6.18	13,732,927
HST and VAT recoverable		483,318
Deposits		30,007
Other current assets		<u>56,851</u>
Total current assets		14,303,103
Non-current assets		
Restricted cash		75,000
Property, plant & equipment	6.19	744,829
Exploration & evaluation assets	6.20	<u>26,797,214</u>
Total non-current assets		27,617,043
Total assets		<u>41,920,146</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities		179,253
Related party payables		<u>-</u>
Total current liabilities		179,253
Total liabilities		<u>179,253</u>
NET ASSETS	6.17	<u>41,740,893</u>

Table 12: Financial Position of Lion One as at 31 December 2012 (Source: Lion One Interim Financial Statements)

- 6.17. As at 31 December 2012 Lion One had net assets of C\$41,740,893, which was primarily made up of cash and equivalents of C\$13,732,927 and exploration and evaluation expenditure of C\$26,797,214.
- 6.18. Cash and equivalents consisted of bank deposits of C\$857,927 and guaranteed investment certificates (GICs) of C\$12.875 million.

6.19. Property, plant and equipment of Lion One consisted of the following as at 31 December 2012.

Lion One Metals Ltd Property, plant & equipment	Year ended 31-Dec-12 C\$
Furniture & office equipment at cost	128,064
<i>Less: accumulated depreciation</i>	<u>(42,449)</u>
Net book value	<u>85,615</u>
Motor vehicles at cost	164,949
<i>Less: accumulated depreciation</i>	<u>(33,886)</u>
Net book value	<u>131,063</u>
Buildings & machinery at cost	584,827
<i>Less: accumulated depreciation</i>	<u>(56,676)</u>
Net book value	<u>528,151</u>
Total Property, Plant & Equipment	<u><u>744,829</u></u>

Table 13: Property, plant & equipment of Lion One as at 31 December 2012 (Source: Lion One Interim Financial Statements)

6.20. The buildings and machinery assets of Lion One which have a book value of approximately C\$528,000 as at 31 December 2012 represent an office building and compound located in Nadi owned by Lion One from which they administer their Fijian operations. Nadi is the third largest settlement in Fiji and is located on the western side of the largest island Viti Levu.

6.21. Lion One's exploration and evaluation assets consist of its tenements in Fiji. The table below sets out the additional expenditures capitalised in the 6 months to 31 December 2012, and the impact of any foreign currency gain or loss on the translation to C\$.

	Period ended 31-Dec-12 C\$
Balance at 30 June 2012	24,861,722
<i>Additions in period</i>	1,431,450
<i>Foreign exchange gain on translation</i>	<u>504,042</u>
Balance at 31 December 2012	<u><u>26,797,214</u></u>

Table 14: Exploration and evaluation assets as at 31 December 2012 (Source: Lion One Interim Financial Statements)

Financial performance

6.22. The following table sets out a summary of the consolidated financial performance of Lion One for the financial years ended 30 June 2011 and 30 June 2012 and the 6 months ended 31 December 2012.

Lion One Metals Ltd	Ref	6 months to	Year ended	Year ended
Financial performance		31-Dec-12	30-Jun-12	30-Jun-11
		Unaudited	Audited	Audited
		C\$	C\$	C\$
Interest Income		99,772	233,956	90,702
Expenses				
Professional and consulting fees	6.24	144,286	343,844	299,271
Management fees	6.25	419,946	993,177	455,622
Investor relations expenses		91,966	366,636	269,857
Stock based compensation	6.26	215,905	1,228,042	1,176,120
Rent expense	6.25	90,000	180,063	72,829
Other expenses	6.27	188,454	342,886	220,142
Total expenses		1,150,557	3,454,648	2,493,841
Loss for the period		(1,050,785)	(3,220,692)	(2,403,139)
Listing fee	6.28	-	-	(6,104,347)
Foreign currency translation differences	6.29	596,590	316,044	616,214
Total comprehensive loss for the period	6.23	(454,195)	(2,904,648)	(7,891,272)

Table 15: Financial Performance of Lion One for the two years ended 30 June 2012 and the 6 months to 31 December 2012 (Source: Lion One Interim Financial Statements)

- 6.23. In the period ended 30 June 2012, Lion One generated a total comprehensive loss of C\$2,904,648 compared with a total comprehensive loss in the 6 months to 31 December 2012 of C\$454,195.
- 6.24. Professional and consulting fees include accounting, legal and other consulting fees.
- 6.25. On 1 November 2011, Lion One signed an amended 5 year Management and Corporate Services Agreement (“CSA”) with Cabrera Capital Corporation (“Cabrera”) a company that has directors and senior officers in common with Lion One. Under the CSA, Cabrera provides a fully furnished and equipped business office with management, business administration shareholder services, securities administration and corporate and general administration services to Lion One. In the 6 months to 31 December 2012, management fees (C\$419,946) and rental costs (C\$90,000) have been expensed under the CSA.
- 6.26. Stock based compensation of C\$215,905 represents, C\$85,705 options granted to employees or others providing similar services during the 6 months ended 31 December 2012 and \$130,200 relating to the vesting of escrowed shares, which were issued by AME pursuant to an agreement dated 1 April 2010.

- 6.27. Other expenses include licenses, dues and other fees, office and miscellaneous expenses, travel expenses incurred by Lion One employees and the costs of shareholder communications and regulatory filings.
- 6.28. Lion One was created on 28 January 2011 through the reverse acquisition of TSX-V listed X-Tal Minerals Corporation and the private Canadian company American Eagle Resources Incorporated. Following the acquisition which resulted in X-Tal legally becoming the parent company of AME (but for accounting purposes AME was considered the acquirer), X-Tal changed its name to Lion One Metals Limited. The listing expense of C\$6,104,347 incurred in the year ended 30 June 2011 represents the deemed consideration paid by X-Tal for AME less the net assets acquired as a result of the reverse acquisition.
- 6.29. Foreign currency translation differences arise due to the operations of Lion One's foreign subsidiary Lion One Limited in Fiji and as a result of Lion One Limited's adoption of the Fijian dollar as its functional currency.

7. Profile of the Merged Entity

Overview of operations

- 7.1. The proposed merger will create an entity which will have a diverse range of mineral exploration assets both in terms of geography and mineral prospectively.
- 7.2. The Merged Entity's most significant exploration asset will be Lion One's Tuvatu Project, located in Fiji which is prospective for Gold and currently contains a total mineral resource of 652,000 ounces of gold, consisting of 172,000 ounces of indicated resource and 480,000 ounces of inferred resource, based on the definitions of mineral resources set out in the Salva Resources Report set out at Appendix 5. We also refer Avocet Shareholders to Appendix 4 which provides an overview of the global gold industry and country profile of Fiji.
- 7.3. In addition to the Tuvatu Project the Merged Entity will also own and control Avocet's exploration assets which include a range of projects located throughout Australia which are prospective for a range of minerals and have the right to earn an interest in the Company's Argentine Exploration Projects. Further detail on Avocet's exploration assets is set out at section 5.3 of this Report.

Strategy of the Merged Entity

- 7.4. Lion One has indicated that the merging Avocet's assets with Lion Ones is consistent with Lion One's strategy, and will allow Lion One (through the Merged Entity) to enhance its ability to manage the development of the Tuvatu Project, be better positioned to contemplate opportunities in Australasia and around the world that may not have previously been possible, and have enhanced access to capital markets through market listings in Canada, USA, and Europe, in addition to Australia.
- 7.5. Should the Scheme be implemented, Lion One has indicated that the strategy of the Merged Group will be to continue to:
 - advance exploration of Lion One's Tuvatu Project in Fiji through to development and production;
 - explore Avocet's prospective exploration projects in Australia and Argentina; and
 - actively seek and evaluate further mineral resource properties and growth opportunities.

Board

- 7.6. Upon implementation of the Scheme, it is proposed that the board of directors of the Merged Entity will comprise all of the current directors of Lion One being:
 - Mr Walter Berukoff;
 - Mr George Young;
 - Mr Richard Meli;
 - Mr David Duval;
 - Mr Stephen Mann; and
 - Mr Hamish Greig.

Capital structure

- 7.7. The Merged Entity will be listed on the TSX-V, FSE and OTCQX. The CDIs issued upon implementation of the Scheme to Avocet Shareholders will be listed on the ASX. Upon implementation of the Scheme the Merged Entity will have 60,175,527 ordinary shares on issue and 3,463,667 options on issue (ignoring roundings).
- 7.8. The table below sets the pro forma major shareholders of the Merged Entity assuming the Scheme is implemented, based on the current top known shareholdings of either Avocet or Lion One.

Shareholder	Number	%
Walter Berukoff group	18,921,772	31.4%
Pala Investments	3,225,806	5.4%
Jayvee & Co trustee for Franklin Gold and Precious Metals Funds	2,935,000	4.9%
Giralia Resources Limited (ex Avocet)	1,666,245	2.8%
HSBC Custody Nominees (ex Avocet)	1,100,035	1.8%
AQR Funds - AQR Diversified Arbitrage Fund	775,282	1.3%
Total known major shareholders	28,624,140	47.6%
Other	31,551,387	52.4%
Total ordinary shares on issue	60,175,527	100%

Table 16: Pro forma known major shareholders of Merged Entity (Source: Scheme Booklet, Avocet share register (10 Jan 2013) & Lion Share register (31 December 2012))

- 7.9. Due to Canadian securities law in relation to disclosure of shareholders' interests in public companies which are summarised at paragraph 6.8 of this Report, we are unable to determine all the shareholders of Lion One. Therefore there may well be other shareholders of Lion One who will have in excess of a 1% interest in the Merged Entity which is not represented in the above table.
- 7.10. Based on the analysis set out above, upon implementation of the Scheme the Walter Berukoff group will be the largest shareholder of the Merged Entity having a shareholding of approximately 31.4%. Two former Avocet Shareholders will have an interest in the Merged Entity in excess of 1% being Giralia Resources Limited (2.8%) and HSBC Custody Nominees (1%).

Pro forma financial position

7.11. The following table sets out the pro forma financial position of the Merged Entity.

	Proforma Adjustments					Merged Group Summary Balance Sheet 31-Dec-12 CDNS	Merged Group Summary Balance Sheet 31-Dec-12 AS
	LIION ONE Summary Balance Sheet 31-Dec-12 CDNS	AVOCET Summary Balance Sheet 31-Dec-12 CDNS	CDNS	CDNS	CDNS		
		(Note 1)	(Note 2)	(Note 3)	(Note 4)		
CURRENT ASSETS							
Cash and cash equivalents	13,732,927	4,044,912				17,777,839	17,191,170
Receivables	528,157	73,627				601,784	581,925
Prepayments	12,012	27,036				39,048	37,759
Deposits	30,007	-				30,007	29,017
TOTAL CURRENT ASSETS	14,303,103	4,145,575	-	-	-	18,448,678	17,839,871
NON-CURRENT ASSETS							
Investments	-	-	6,308,170		(6,308,170)	-	-
Trade and other receivables	-	91,368				91,368	88,353
Property, plant and equipment	744,829	45,978				790,807	764,710
Capitalised exploration expenditure	26,797,214	3,843,317			(1,559,117)	29,081,414	28,121,727
Bonds	75,000	-				75,000	72,525
TOTAL NON-CURRENT ASSETS	27,617,043	3,980,663	6,308,170	-	(7,867,287)	30,038,589	29,047,315
TOTAL ASSETS	41,920,146	8,126,238	6,308,170	-	(7,867,287)	48,487,267	46,887,186
CURRENT LIABILITIES							
Payables	179,253	153,125				332,378	321,409
Employee benefits	-	72,662				72,662	70,264
Provisions	-	-				-	-
TOTAL CURRENT LIABILITIES	179,253	225,787	-	-	-	405,040	391,673
NON-CURRENT LIABILITIES							
Payables	-	-				-	-
Employee benefits	-	33,164				33,164	32,070
Provisions	-	-				-	-
TOTAL NON-CURRENT LIABILITIES	-	33,164	-	-	-	33,164	32,070
TOTAL LIABILITIES	179,253	258,951	-	-	-	438,204	423,743
NET ASSETS	41,740,893	7,867,287	6,308,170	-	(7,867,287)	48,049,063	46,463,443
SHAREHOLDERS' FUNDS							
Share capital and reserves	72,566,807	12,920,750	6,308,170	(38,780)	(12,901,550)	78,855,397	76,253,169
Accumulated losses	(30,825,914)	(5,053,463)		38,780	5,034,263	(30,806,334)	(29,789,725)
TOTAL SHAREHOLDERS' FUNDS	41,740,893	7,867,287	6,308,170	-	(7,867,287)	48,049,063	46,463,444

Note 1 Represents the balance sheet of Avocet as at 31 December 2012 extracted from the interim financial report, translated at the year end AUD:CDN exchange rate.

Note 2 The issue of LionOne ordinary shares in consideration for the acquisition of Avocet. This share based payment has been determined based fair value of Avocet as valued by the Independent Expert.

Note 3 Expiration of 500,000 options issued to W Berukoff by Avocet upon acquisition of Avocet by LionOne.

Note 4 Elimination of pre-acquisition net assets of Avocet Resources Limited

Table 17: Pro forma financial position of the Merged Entity (Source: Scheme Booklet)

7.12. The pro forma statement of financial position indicates that Merged Entity will have a stronger financial position than Avocet, with cash of approximately \$17.2 million and net assets of \$46.5 million. As at 31 December 2012 Avocet had cash of approximately \$3.9 million and net assets of approximately \$7.6 million.

8. Valuation Approach

Valuation methodologies

8.1. In assessing the Fair Value of an ordinary Avocet share prior to the implementation of the Scheme and the Fair Value of the consideration under the Scheme for each Avocet Share being approximately 0.1053 shares in the Merged Entity on a non control basis, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

8.2. We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market Based Methods

8.3. Market based methods estimate the fair value by considering the market value of a company’s securities or the market value of comparable companies. Market based methods include:

- The quoted price for listed securities; and
- Industry specific methods.

8.4. The recent quoted price for listed securities method provides evidence of the fair market value of a company’s securities where they are publicly traded in an informed and liquid market.

8.5. Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income based methods

8.6. Income based methods estimate value by calculating the present value of a company’s estimated future stream of earnings or cash flows. Income based methods include:

- Capitalisation of maintainable earnings; and
- Discounted cash flow methods.

8.7. The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the

analysis of transactions involving comparable companies and the trading multiples of comparable companies.

- 8.8. The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

Asset based methods

- 8.9. Asset based methodologies estimate the fair value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net assets on a going concern basis.
- 8.10. The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 8.11. The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame.
- 8.12. The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Selection of Valuation Methodologies

Basis of fairness assessment

- 8.13. As summarised in Section 3.7 of this Report in accordance with the guidance set out in RG 111, we consider that the Scheme represents a control transaction which upon its implementation will result in Avocet Shareholders relinquishing control of Avocet to Lion One's shareholders. Consequently in forming our opinion as to whether we consider the Scheme to be fair and as such in the best interests or not of Avocet's Shareholders we have assessed and compared:
- The Fair Value of an Avocet share prior to the implementation of the Scheme on a control basis; and
 - The Fair Value of the consideration offered under the Scheme for each Avocet share being, the Fair Value of 0.1053 shares (in the form of CDIs) in the Merged Entity assessed on a non control basis.
- 8.14. This has involved an assessment of the Fair Value of:

- 100% of the equity of Avocet and a share in Avocet on a control basis prior to implementation of the Scheme;
- 100% of the equity in Lion One prior to the implementation of the Scheme; and
- 100% of the equity of the Merged Entity assuming implementation of the Scheme, comprising of the Fair Value of 100% of Avocet and Lion One; and
- A share in the Merged Entity assessed on a non control basis.

Valuation of Avocet and an Avocet share pre implementation of the Scheme (Control basis)

8.15. In assessing the Fair Value of an Avocet share pre implementation of the Scheme we have selected the following valuation methodologies:

- Net assets on a going concern – primary basis; and
- Quoted price of listed securities – secondary basis.

8.16. We have selected these methodologies for the following reasons:

- Avocet does not generate regular trading income. Therefore there are no historic profits that could be used to represent future earnings. This means that the capitalisation of FME approach is not appropriate;
- Avocet has no foreseeable future net cash inflows and therefore we do not consider the application of the DCF methodology to be appropriate in these circumstances;
- Avocet is an early stage junior exploration company whose most significant assets are cash and its interests in Australian and Argentine exploration assets. In our experience the most appropriate method for determining the value of junior early stage exploration companies such as Avocet is on the basis of the fair value of their underlying net assets; and
- Avocet's securities are listed on the ASX, which provides an indication of the market value where an observable market for the securities exists.

Valuation of Lion One

8.17. In assessing the Fair Value of Lion One pre implementation of the Scheme we have selected the following valuation methodologies:

- Net assets on a going concern – primary basis; and
- Quoted price of listed securities – secondary basis.

8.18. We have selected these methodologies for the following reasons:

- Lion One does not generate regular trading income. Therefore there are no historic profits that could be used to represent future earnings. This means that the capitalisation of FME approach is not appropriate;
- Lion One has no foreseeable future net cash inflows and therefore we do not consider the application of the DCF methodology to be appropriate in these circumstances;
- Lion One is a junior exploration company whose most significant assets are cash and its interests in Fijian exploration assets. In our experience the most appropriate method for determining the

value of junior early stage exploration companies such as Lion One is on the basis of the fair value of their underlying net assets; and

- Lion One's securities are listed on the TSX-V, which provides an indication of the market value where an observable market for the securities exists.

Valuation of the Merged Entity and a share in the Merged Entity post implementation of the Scheme

- 8.19. We have assessed the Fair Value of 100% of the Merged Entity using the net assets on a going concern methodology, with our valuation comprising of the combined values of 100% Avocet and 100% of Lion One.
- 8.20. We have assessed the Fair Value of a share in the Merged Entity on a non control basis by applying a discount for lack of control to our assessment of the Fair Value of 100% of the Merged Entity.

Use of specialists in our valuations

- 8.21. ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. We determined the need for a specialist's involvement with regard to valuing Avocet's interest in their Australian exploration assets and Lion One's interest in the Tuvatu Project. We have, therefore, engaged Salva Resources Pty Limited ("Salva Resources") to prepare an independent technical report ("Salva Resources' Report") providing a valuation of Avocet's Australian projects and Lion One's Tuvatu Project.
- 8.22. The Salva Resources' Report has been prepared in accordance with the requirements of the VALMIN code. We have satisfied ourselves as to Salva Resource's qualifications and independence from Avocet and have placed reliance on their report. A copy of the Salva Resources' Report is attached at Appendix 5.

9. Valuation of Avocet and an Avocet share pre implementation of the Scheme

- 9.1. We have assessed the Fair Value of Avocet and an Avocet share pre implementation of the Scheme on a control basis using the net assets on a going concern methodology as our primary methodology. We have also considered the recent quoted price of Avocet's listed securities as secondary basis of valuation.

Net Assets on a Going Concern Basis

- 9.2. We have assessed the value of Avocet to be in the range of approximately \$5.3 million to \$7.1 million and the value of an Avocet share on a control basis to be in the range of \$0.050 to \$0.067, prior to implementation of the Scheme, based on the net assets on a going concern methodology, as summarised in the table below.

Valuation of an Avocet share pre implementation of the Scheme	Ref:	Low \$	High \$
Net assets of Avocet as at 31 December 2012	9.3	7,607,666	7,607,666
Less: Book value of exploration assets	9.5	(3,716,488)	(3,716,488)
Plus: Fair Value of exploration assets	9.5 - 9.8	1,364,147	3,177,147
Fair value of Avocet on a control basis		5,255,325	7,068,325
Number of Avocet shares on issue at the date of this Report	5.32	105,513,653	105,513,653
Fair value of an Avocet share on a control basis	9.10	\$0.050	\$0.067

Table 18: Assessed Fair Value of Avocet and an Avocet share pre implementation of the Scheme – Net assets on a going concern basis (Source: RSMBCC Analysis)

Key assumptions

Net assets as at 31 December 2012

- 9.3. Our assessment has been based on the reviewed net assets of Avocet as at 31 December 2012 of \$7,607,666 as set out in the Company's reviewed half year financial statements filed with the ASX, adjusted for fair value adjustments which we have identified through discussions with Directors and from a review of the assets and liabilities of the Company as set out these financial statements. We have been advised by Avocet management that there has been no significant change in the net assets of Avocet since 31 December 2012.
- 9.4. We summarise the adjustments we have made to the net assets of Avocet in the following paragraphs.

Avocet's exploration assets

- 9.5. As at 31 December 2012 Avocet had capitalised exploration expenditure of \$3,716,488. In our assessment of the Fair Value of Avocet we have deducted the book value of Avocet's exploration expenditure and replaced it with our assessment of the Fair Value of Avocet's exploration assets. The Fair Value of Avocet's exploration assets are assessed to be in the range of \$1.4 million to \$3.2 million as summarised in the table below.

Avocet exploration assets	Ref:	Low \$	High \$
100% interest in Ardmore Project	9.6	138,000	358,000
100% interest in Westmoreland Project	9.6	84,000	251,000
25% interest in Olary Creek Project	9.6	245,000	490,000
Avocet's equity share in the Ashburton Project (Excluding Saltwater Pool Joint Venture)	9.6	691,000	1,283,000
Right to earn 51% interest in Saltwater Pool Joint Venture	9.7	-	503,000
100% interest in Wabli Creek Project	9.6	101,000	187,000
Argentine Exploration Projects (Various interests and rights)	9.8 - 9.9	105,147	105,147
Total assessed Fair Value of Avocet's exploration assets		1,364,147	3,177,147

Table 19: Assessed Fair Value of Avocet's exploration assets (Source: Salva Resources Report & RSMBCC analysis)

- 9.6. In assessing the Fair Value of Avocet's exploration assets we engaged independent technical specialists Salva Resources to assess the fair value of Avocet's Australian exploration assets being their interests in the Ardmore and Westmoreland Projects, the Olary Creek Project, the Ashburton Project, the Saltwater Pool Joint Venture and the Wabli Creek Project. Salva Resources has assessed the Fair Value of these interests based on analysis of comparable market transactions. A full copy of the Salva Resources Report which provides further details on the valuation methodologies and valuations undertaken by Salva Resources is set out at Appendix 5 of this Report.
- 9.7. Salva Resources has assessed that the Fair Value of a 51% interest in the tenements which comprise the Saltwater Pool Joint Venture is in the range of \$517,000 to \$1,150,000. As summarised at paragraph 5.4 of this Report, Avocet are currently earning a 51% interest in the Saltwater Joint Venture. Under the terms of the formal joint venture agreement Avocet will earn its 51% interest by spending a minimum of \$1.1 million on exploration on the project in the three years ending March 2014. We understand that as at 31 December 2012 Avocet had spent approximately \$453,000 under the joint venture agreement and as such their remaining expenditure requirements are approximately \$647,000. Therefore in assessing the Fair Value of Avocet's current interest in the Saltwater Joint Venture we have deducted \$647,000 from Salva Resources' assessment of a 51% equity interest in the project as summarised in the table below.

	Low \$	High \$
Fair Value of 51% interest in Saltwater joint venture assessed by Salva Resources	517,000	1,150,000
Less: Remaining Avocet expenditure to acquire 51% interest	(647,000)	(647,000)
Fair Value of Avocet's right to earn 51% interest	-	503,000

Table 20: Assessed Fair Value of Avocet's interest in the Saltwater Joint Venture (Source: Salva Resources Report & RSMBCC analysis)

- 9.8. As summarised in Section 5.13 - 5.17 of this Report Avocet's Argentine Exploration Project's currently comprise a 100% interest in four tenement applications, a right to earn initially a 60% interest in the Cerro Chacon Project through expending US\$500,000 over three years and a right to earn initially a 51% interest in the Sierra Cuadrada Joint Venture through expending US\$1 million over four years. Avocet's Directors and management have indicated that there has been very little historical exploration on the Argentine Exploration Projects and the projects are extremely greenfield in nature, in addition we note that Avocet has spent very little to date on these projects under the joint venture agreements with capitalised exploration costs as at 31 December 2012 in relation to the Argentine Exploration Projects being \$105,147. Furthermore Avocet management has indicated that in relation to 100% tenement applications it holds, a decision on the granting of these tenements is not imminent.

9.9. Given the greenfield nature of Avocet’s Argentine Exploration Projects and the significant additional expenditure they are required to make under the joint venture agreements to acquire an interest in the project relative to the expenditure they have incurred to date, we consider the Fair Value of Avocet’s interest in the Argentinian Projects to be equal to their book value as at 31 December 2012 of \$105,147.

Control value

9.10. The net assets on a going concern valuation methodology provides a control value of an entity, therefore the value of a share derived using this methodology represents the control value of a share.

Quoted Price of Listed Securities

9.11. In order to provide a comparison and cross check to our valuation of an Avocet share derived using the Net Assets on a Going Concern methodology we have considered the recent quoted market price for Avocet’s shares on the ASX prior to the announcement of the Scheme.

Analysis of recent trading in Avocet shares

9.12. The figure below sets out a summary of Avocet’s closing share prices and traded volumes in the year to 21 December 2012, being the last trading day prior to 24 December 2012, the date that the proposed merger between Avocet and Lion One was announced. The assessment reflects trading prior to the announcement in order to avoid the influence of any movement in price that may have occurred as a result of the announcement of the Scheme.

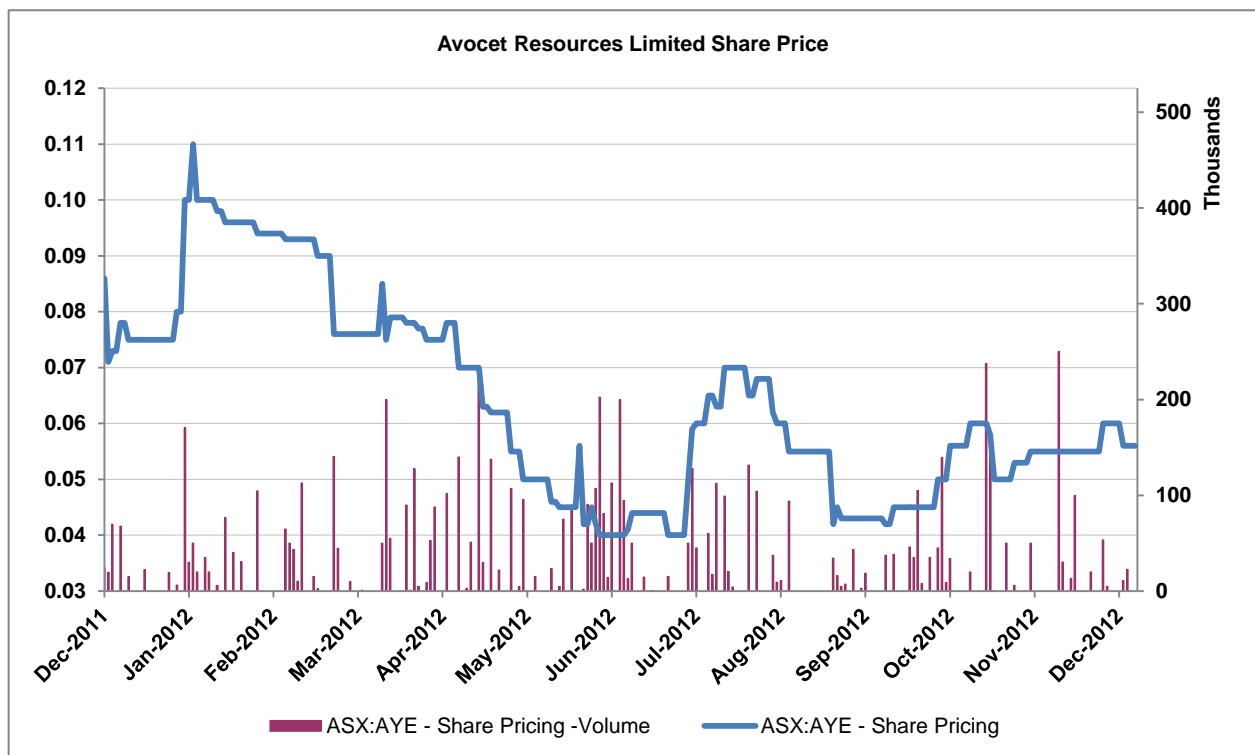


Figure 3: Avocet Share Price Volume Graph (Source: S&P Capital IQ)

9.13. Over the one year trading period pre the announcement of the proposed Scheme, Avocet shares have traded in a range from a low of \$0.040 on 19 June 2012 to a high of \$0.110 on 23 January 2012.

- 9.14. To provide further analysis of the quoted market prices for Avocet's shares, we have considered the Volume Weighted Average Price ("VWAP") for the 10 day, 30 day, 60 and 90 day trading day periods to 21 December 2012, as summarised in the table below.

	21-Dec-12	10 days	30 days	60 days	90 days
Closing price	0.056				
VWAP		0.059	0.056	0.054	0.053

Table 21: VWAP of Avocet's shares (Source: S&P Capital IQ)

- 9.15. An analysis of the volume in trading in Avocet's shares for the 1 year trading period to 21 December 2012 is set out in the following table.

	Share price low \$	Share price high \$	# of days traded	VWAP \$	Cumulative volume traded	As a % of issued capital
1 day	0.056	0.056	-	N/A	-	0.00%
10 days	0.055	0.060	4	0.059	92,366	0.09%
30 days	0.055	0.060	10	0.056	555,904	0.53%
60 days	0.045	0.060	26	0.054	1,487,546	1.41%
90 days	0.040	0.062	38	0.053	1,805,795	1.71%
180 days	0.040	0.078	87	0.055	5,081,001	4.82%
1 year	0.040	0.110	122	0.063	6,802,558	6.45%

Table 22: Traded volumes of Avocet shares to 21 December 2012 (Source: S&P Capital IQ)

- 9.16. Avocet's shares traded on only 10 of the 30 trading days, 38 of 90 trading days and 122 of the trading days in the year ended 21 December 2012. Out of Avocet's tradable shares on issue of 105,513,653, 1.71% were traded in the 90 trading day period and 6.45% were traded in the one year period ended 21 December 2012. We consider this analysis indicates a low level of liquidity in Avocet's shares.

Valuation of an Avocet share (Quoted price of listed securities methodology)

- 9.17. Our valuation of an Avocet share, on the basis of the recent quoted market price including a premium for control is between \$0.067 and \$0.077 as summarised in the table.

	Ref:	Low	High
Quoted market price - Non control minority basis	9.18	\$0.056	\$0.059
Control premium	9.18	20%	30%
Value of Avocet share on a control basis		\$0.067	\$0.077

Table 23: Assessed value of an Avocet share – Quoted Price of Listed Securities (Source: RSMBCC analysis)

Key assumptions

Value of an Avocet share on a non-control minority basis

- 9.18. Based on the analysis of the recent trading in Avocet's shares (Paragraphs 9.12 - 9.16), we have assessed the value of an Avocet share on a non control basis, to be in the range \$0.056 (being the last traded price and the 10 day VWAP prior to the announcement of the Scheme) and \$0.059 (being the 30 day VWAP prior to the announcement of the Scheme).

Control Premium

- 9.19. The value derived at paragraph 9.18 is indicative of the value of a marketable parcel of shares assuming the shareholder does not have control of Avocet. Given we have concluded that the Scheme represents a control transaction for Avocet in our assessment of the Fair Value of an Avocet share, we have reflected a premium for control.
- 9.20. In selecting a control premium we have given consideration to RSM Bird Cameron 2010 Control Premium Study. The study performed an analysis of control premiums paid over a 5-year period to 30 June 2010 in 212 successful takeovers and schemes of arrangements of companies listed on the ASX. Our study concluded that on average control premiums in takeovers and schemes of arrangements involving Australian companies was in the range of 20% to 30%. We have applied a control premium in the range of 20% to 30% in assessing the value of an Avocet share on control basis based on the recent quoted market prices of its shares, which is consistent with the findings of our control premium study.

Valuation summary and conclusion

- 9.21. A summary of our assessed values of an ordinary Avocet share on a control basis pre implementation of the Scheme, derived under the two methodologies, is set out in the table below.

	Ref.	Low	High
Net assets on a going concern basis	9.2	\$0.050	\$0.067
Quoted market value	9.17	\$0.067	\$0.077
Assessed Fair Value of an Avocet share		\$0.050	\$0.067

Table 24: Avocet share valuation summary pre implementation of the Scheme (Source: RSMBCC analysis)

- 9.22. In our opinion we consider that the net assets on a going concern valuation methodology provides a better indicator of the Fair Value of an Avocet share, as we consider, our analysis of the recent trading of Avocet's shares indicates that the trading market for Avocet's shares is not deep enough to provide a reliable assessment of their fair value. Avocet's shares have not historically traded in significant volumes or on a regular basis.
- 9.23. Therefore in our opinion the Fair Value of an Avocet share on a control basis pre the implementation of the Scheme is in the range of \$0.050 to \$0.067.

10. Valuation of Lion One

10.1. As set out at paragraph 8.17 of this Report we have assessed the value of Lion One on a net assets on a going concern basis, and have also considered the recent quoted price of its listed securities as cross check.

Net Assets on a Going Concern Basis

10.2. We have assessed the value of Lion One to be in the range of approximately \$34.9 million to \$46.4 million on a controlling basis, based on the net assets on a going concern methodology, as summarised in the table below.

Valuation of 100% of Lion One	Ref:	Low \$	High \$
Net assets of Lion One as at 31 December 2012	10.3	40,362,609	40,362,609
Less: Book value of exploration assets	10.5	(25,912,370)	(25,912,370)
Plus: Fair value of exploration assets	10.6	20,400,000	31,900,000
Fair Value of Lion One on a control basis	10.8	34,850,239	46,350,239

Table 25: Assessed Fair Value of Lion One – Net assets on a going concern basis (Source: RSMBCC Analysis)

Key assumptions

Net assets as at 31 December 2012

10.3. Our assessment has been based on the unaudited net assets of Lion One as at 31 December 2012 of C\$41,740,893 (converted to Australian dollars at a spot rate of C\$1 : \$0.967 on 31 December 2012 sourced from exchange rate provider Oanda) as set out in Lion One's Interim Financial Statements for the 3 and 6 month periods ended 31 December 2012 filed with the TSX-V, adjusted for fair value adjustments which we have identified through discussions with Directors and from a review of the assets and liabilities of Lion One as set out in these financial statements. We have been advised that there has been no significant change in the net assets of Lion One since 31 December 2012.

10.4. We summarise the adjustments we have made to the net assets of Lion One in the following paragraphs.

Lion One's Tuvatu Project

10.5. As at 31 December 2012 Lion One disclosed capitalised exploration expenditure of C\$26,797,214, which equates to \$25,912,370 converted at a the spot exchange rate of C\$1 : \$0.967 on 31 December 2012. In our assessment of the Fair Value of Lion One we have deducted the book value of Lion One's exploration expenditure and replaced it with our assessment of the Fair Value of the Tuvatu Project.

10.6. In assessing the Fair Value of Lion One's exploration assets we engaged independent technical specialists Salva Resources, who have assessed the Fair Value of a 100% interest in the Tuvatu Project to be in the range of \$20,400,000 to \$31,900,000 as summarised in the table below.

Fair Value of Tuvatu Project	Low \$	High \$
Cost based – Appraised Valuation	21,600,000	30,200,000
Market based – Market Comparable	19,200,000	33,600,000
Selected Valuation (100% equity)	20,400,000	31,900,000

Table 26: Assessed value of Lion One's Tuvatu Project (Source: Salva Resources' Report)

- 10.7. Salva Resources has valued the Tuvatu Project based on the comparable transaction and appraisal value methodologies. The comparable transaction method has involved the value of the project being determined through an appraisal of transactions involving gold assets in the Asia-Pacific region. The appraisal value methodology involves the value of a project being determined based on a multiple of the historical exploration expenditure on a project. A copy of the Salva Resources' Report is set out at Appendix 5 of this Report. This provides further detail on the methodologies used in the valuation of the Tuvatu Project.

Control value

- 10.8. The net assets on a going concern valuation methodology provides a control value of an entity, therefore the assessed value derived represents the control value of Lion One.

Quoted Price of Listed Securities

10.9. In order to provide a comparison and cross check to our valuation of Lion One derived using the net assets on a going concern methodology we have considered Scheme.

Analysis of recent trading in Lion One shares

10.10. The figure below sets out a summary of Lion One's closing share prices and traded volumes in the year to 21 December 2012, being the last trading day prior to 24 December 2012, the date that the proposed merger between Avocet and Lion One was announced. The assessment reflects trading prior to the announcement in order to avoid the influence of any movement in price that may have occurred as a result of the announcement of the Scheme.

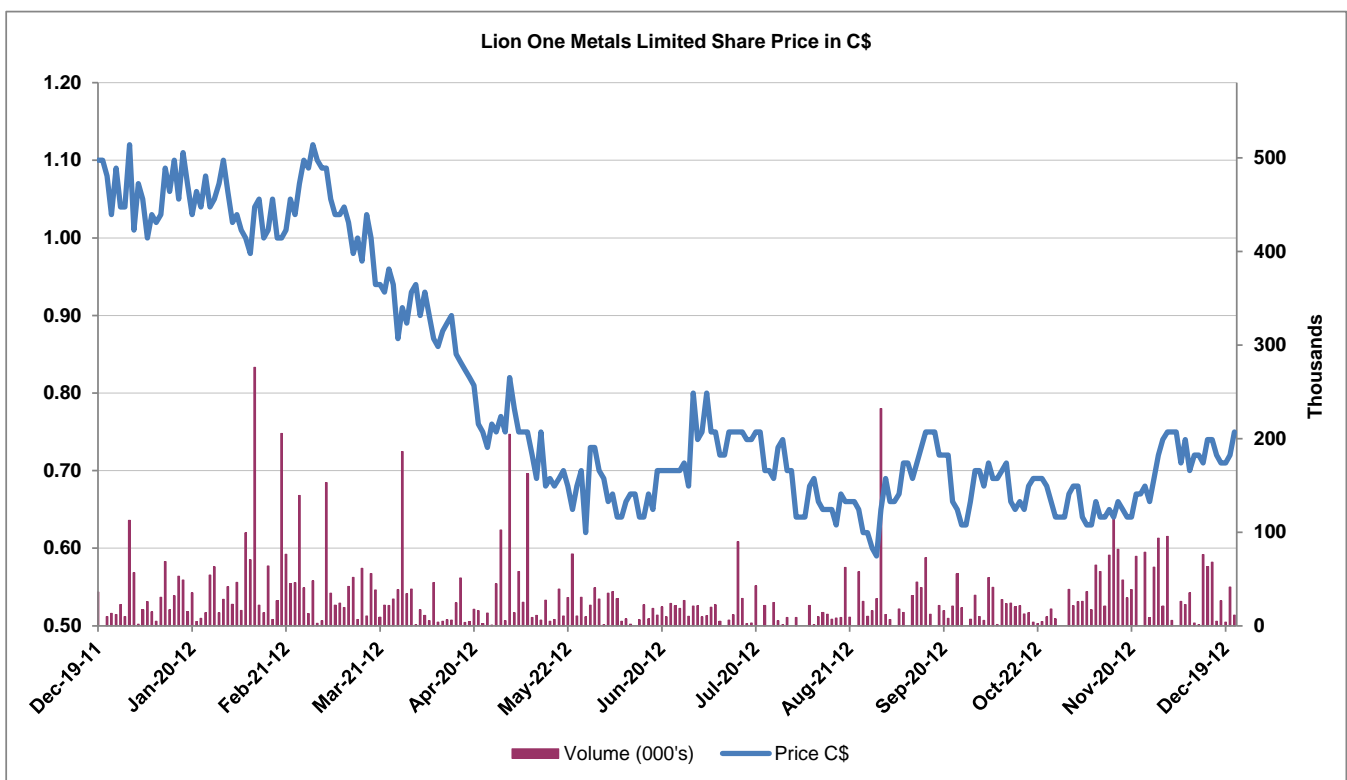


Figure 4: Lion One Share Price Volume Graph (Source: S&P Capital IQ)

10.11. Over the one year trading period pre the announcement of the Scheme, Lion One shares have traded in a range from a low of C\$0.59 on 29 August 2012 to a high of C\$1.12 on 30 December 2011.

10.12. To provide further analysis of the quoted market prices for Lion One's shares, we have considered the VWAP for the 10 day, 30 day, 60 and 90 day trading day periods to 21 December 2012, as summarised in the table below.

	21-Dec-12	10 days	30 days	60 days	90 days
Closing price	C\$0.75				
VWAP		C\$0.73	C\$0.69	C\$0.68	C\$0.68

Table 27: VWAP of Lion One's shares (Source: S&P Capital IQ)

10.13. An analysis of the volume in trading in Lion One's shares for the 1 year trading period to 21 December 2012 is set out in the table below.

	Share price		# of days traded	VWAP C\$	Cumulative volume traded	As a % of issued capital
	low C\$	high C\$				
1 day	0.750	0.750	1	0.750	11,500	0.02%
10 days	0.700	0.750	10	0.726	300,184	0.61%
30 days	0.640	0.750	28	0.692	1,237,801	2.53%
60 days	0.600	0.750	56	0.685	1,866,099	3.81%
90 days	0.580	0.750	81	0.680	2,724,014	5.56%
180 days	0.580	0.910	164	0.705	4,651,227	9.50%
1 year	0.580	1.240	238	0.832	7,738,947	15.90%

Table 28: Traded volumes of Lion One shares to 21 December 2012 (Source: S&P Capital IQ)

10.14. Lion One's shares traded on all but 2 of the 30 trading days, 81 of 90 trading days and on 238 of the trading days in the year ended 21 December 2012. Out of Lion One's tradable shares on issue of (on average) 48.8 million over the year, 5.6% were traded in the 90 trading day period and 15.9% were traded in the one year period ended 21 December 2012. We consider this analysis indicates a low level of liquidity in Lion One's shares.

Valuation of Lion One (Quoted price of listed securities methodology)

10.15. We have assessed the value of Lion One, on the basis of the recent quoted market price including a premium for control to be in the range of \$39.4 million and \$44.8 as summarised in the table below.

	Ref:	Low	High
Quoted market price - Non control minority basis (C\$)	10.16	C\$0.692	C\$0.726
Control premium	10.17 - 10.18	20%	30%
Quoted market price valuation including a premium for control (C\$)		<u>C\$0.83</u>	<u>C\$0.94</u>
Number of shares on issue	10.19	49,068,827	49,068,827
Fair value of Lion One on a control basis (C\$)		<u>C\$40,746,754</u>	<u>C\$46,311,159</u>
Exchange rate \$:C\$	10.20	0.967	0.967
Fair value of Lion One on a control basis \$		<u>\$39,401,296</u>	<u>\$44,781,964</u>

Table 29: Assessed value of a Lion One share – Quoted Price of Listed Securities (Source: RSMBCC analysis)

Key assumptions

Value of a Lion One share on a non-control minority basis

10.16. Based on the analysis of the recent trading in Lion One's shares (Paragraphs 10.10 - 10.14), we have assessed the value of a Lion One share on a non control basis, to be in the range C\$0.6972 (being the 30 day VWAP pre the announcement of the Scheme) and C\$0.726 (being the 10 day VWAP pre the announcement of the Scheme).

Control Premium

- 10.17. The value derived at paragraph 10.16 is indicative of the value of a marketable parcel of shares assuming the shareholder does not have control of Lion One. In our assessment of the fair value of a Lion One share, we have reflected a premium for control.
- 10.18. In assessing the value of Lion One on a control basis we have applied a control in the range of 20% to 30%.

Number of shares on issue and allowance for dilution

- 10.19. As at the date of this Report Lion One had 49,068,827 ordinary shares on issue and 3,463,667 options over unissued Lion One shares. We note the market is fully informed of Lion One's options and Lion One makes regular announcements regarding its operations. Accordingly in our opinion the traded price of Lion One's shares reflects the potential dilutionary impact arising from potential conversion of Lion One's options into fully paid ordinary shares and as such no adjustment to Lion One's traded share price is required.

Exchange rate

- 10.20. We have converted our assessment of the Fair Value of Lion One in C\$ to \$ at an exchange rate of C\$1 : \$0.967 which is consistent with the exchange rate we have used in our assessment of the value of Lion One on net assets on a going concern basis.

Valuation summary and conclusion

- 10.21. A summary of our assessed values of Lion One on a control basis pre implementation of the Scheme, derived under the two methodologies, is set out in the table below.

	Ref.	Low \$	High \$
Net assets on a going concern basis	10.2	34,850,239	46,350,239
Quoted market value	10.15	39,401,296	44,781,964
Assessed Fair Value of Lion One		34,850,239	46,350,239

Table 30: Lion One valuation summary pre implementation of the Scheme (Source: RSMBCC analysis)

- 10.22. In our opinion we consider that the net assets on a going concern valuation methodology provides a better indicator of the Fair Value of Lion One, as we consider, our analysis of the recent trading of Lion One's shares indicates that the trading market for Lion One's shares is not deep enough to provide a reliable assessment of their Fair Value on a quoted market value basis.
- 10.23. Therefore in our opinion the Fair Value of Lion One is in the range of \$34.9 million to \$46.4 million on a control basis.

11. Valuation of Merged Entity

Valuation approach

- 11.1. To assess the fairness of the Scheme, we have compared the Fair Value of an Avocet share pre implementation of the Scheme to our assessment of the Fair Value of the consideration being offered to Avocet Shareholders under the Scheme, which has required an assessment the Fair Value of the Merged Entity and a share in the Merged Entity post implementation of the Scheme.
- 11.2. Our assessment of the Fair Value of a share in the Merged Entity on a non control basis post implementation of the Scheme has been based on our assessment of the Fair Value of Avocet and Lion One pre implementation of the Scheme, less an appropriate discount to represent the lack of control Avocet Shareholders will have in the Merged Entity.

Valuation of the Merged Entity and a share in the Merged Entity on a non control basis

- 11.3. Based on the approach set out above we have assessed the Fair Value of a share (on an undiluted basis) in the Merged Entity on a non control basis to be in the range of \$0.553 to \$0.684 and the Fair Value of the consideration being offered to Avocet Shareholders being 0.1053 shares in the Merged Entity (in the form of CDIs) for each Avocet share to be in the range of \$0.058 to \$0.072 as summarised in the table below.

	Ref:	Low \$	High \$
Fair Value of Avocet on a control basis pre the Scheme	9.2	5,255,325	7,068,325
Fair Value of Lion One on a control basis pre the Scheme	10.23	34,850,239	46,350,239
Value of Merged Entity on a control basis		40,105,564	53,418,564
Number of shares in the Merged Entity upon implementation of the Scheme	11.7	60,175,527	60,175,527
Fair Value of a share in the Merged Entity on a control basis		\$0.666	\$0.888
Less: Discount for lack of control (17% to 23%)	11.9 - 11.10	(0.113)	(0.204)
Fair Value of a share in the Merged Entity on a non control basis		\$0.553	\$0.684
Exchange ratio under the Scheme		0.1053	0.1053
Fair Value of 0.1053 shares in the Merged Entity (Consideration under the Scheme)		\$0.058	\$0.072

Table 31: Assessed value of a share in the Merged Entity post implementation of the Scheme on an undiluted basis
(Source: RSMBCC Analysis)

- 11.4. We have also considered the Fair Value of the Merged Entity, a share in the Merged Entity and the consideration being offered under the Scheme on a diluted basis after considering the potential dilutionary impact of the Lion One options on issue, which is summarised in the table below.

	Ref:	Low \$	High \$
Fair Value of Merged Entity on an undiluted basis	11.3	40,105,564	53,418,564
Proceeds from the conversion of share options in the Merged Entity	11.6	366,082	366,082
Value of Merged Entity on a control basis (Diluted)		40,471,646	53,784,646
Number of shares in the Merged Entity upon implementation of the Scheme	11.7	60,175,527	60,175,527
Number of shares issued upon exercise of options currently in the money	11.8	1,081,665	1,081,665
		61,257,192	61,257,192
Fair Value of a share in the Merged Entity on a control basis (Diluted)		\$0.661	\$0.878
Less: Discount for lack of control (17% to 23%)	11.9 - 11.10	(0.112)	(0.202)
Fair Value of a share in the Merged Entity on a non control basis		\$0.549	\$0.676
Exchange ratio under the Scheme		0.1053	0.1053
Fair Value of 0.1053 shares in the Merged Entity (Consideration under the Scheme)		\$0.058	\$0.071

Table 32: Assessed value of a share in the Merged Entity post implementation of the Scheme on a partially diluted basis
(Source: RSMBCC Analysis)

Key assumptions

Valuation of the Merged Entity post implementation of the Scheme

- 11.5. We have assessed the value of the Merged Entity on a control basis post implementation of the Scheme to be in the range of \$40.1 million to \$53.4 million being the sum of our assessment of the Fair Value of Avocet and Lion One on a control basis derived using the net assets on a going concern methodology, as set out in Section 9 and Section 10 of this Report.
- 11.6. In assessing the dilutionary impact of the share options on issued we have reflected the cash which would be raised upon exercise of the options which we have assessed to be \$366,082 in paragraph 11.8 below.

Shares on issue

- 11.7. Post implementation of the Scheme the Merged Entity will have approximately 59,975,527 ordinary shares on issues.
- 11.8. In assessing the potential dilutionary impact on the Fair Value of a share in the Merged Entity and the consideration being offered under the Scheme, we have only reflected the dilutionary impact of those options which are in the money based on our assessment of the Fair Value of a share in the Merged Entity on a non control basis set out in Table 31 above. We have assessed that out of the total 3,538,667 options which will be on issue in the Merged Entity 1,081,665 are in the money and exercisable, which upon exercise would raise funds for the Merged Entity of approximately C\$378,583, converted to \$366,082 based on the C\$: \$ exchange rate used throughout this Report, as summarised in the table below.

Expiry date	# outstanding	Exercise price C\$	# exercisable	# exercisable and in-the-money	Proceeds raised on exercise C\$
09-Feb-14	140,000	0.35	140,000	140,000	49,000
01-Mar-14	375,000	0.35	375,000	375,000	131,250
01-Mar-15	680,000	0.35	566,665	566,665	198,333
25-Oct-15	608,667	1.00	430,334	-	-
25-May-16	435,000	1.40	335,000	-	-
20-Jul-16	200,000	1.40	100,000	-	-
02-Nov-16	25,000	1.40	8,333	-	-
11-Oct-17	875,000	0.70	-	-	-
25-Feb-18	125,000	0.70	-	-	-
	3,463,667		1,955,332	1,081,665	378,583

Table 33: Lion One options outstanding as at 31 December 2012 (Source: Lion One Interim Financial Statements)

Discount for lack of control

- 11.9. We consider the Scheme to be a control transaction in accordance with RG 111, and as such we have assessed the Fair Value of a share in the Merged Entity and the consideration being offered under the Scheme on a non-control basis by applying a discount for lack of control.
- 11.10. We have applied a discount for lack of control in the range of 17% to 23% being the inverse of the selected control premium of 20% to 30%, used in assessing the value of Avocet and Lion One on a control basis by reference to the recent quoted market prices of their listed securities.

12. Is the Scheme Fair to Avocet Shareholders

12.1. The table below sets out our assessed value of an Avocet share pre the implementation of the Scheme on a control basis, compared to our assessed value of the consideration being offered under the Scheme for each Avocet share being 0.1053 shares (in the form of CDIs) in the Merged Entity. Our assessment of the Fair Value of the consideration being offered under the Scheme has been derived on a non control basis as we consider the Scheme to be a control transaction, which on completion will result in Avocet Shareholders passing control of Avocet to Lion One.

	Fair Value	
	Low \$	High \$
Value of a share in Avocet pre implementation of the Scheme (Control basis)	0.050	0.067
<u>Fair Value of consideration offered under the Scheme</u>		
Value of 0.1053 shares (in the form of CDIs) in the Merged Entity (Undiluted non control basis)	0.058	0.072
Value of 0.1053 shares (in the form of CDIs) in the Merged Entity (Diluted non control basis)	0.058	0.071

Table 34: Comparison of Fair Value of Avocet share to consideration offered under the Scheme (Source: RSMBCC Analysis)

12.2. The above valuation ranges are depicted graphically below.

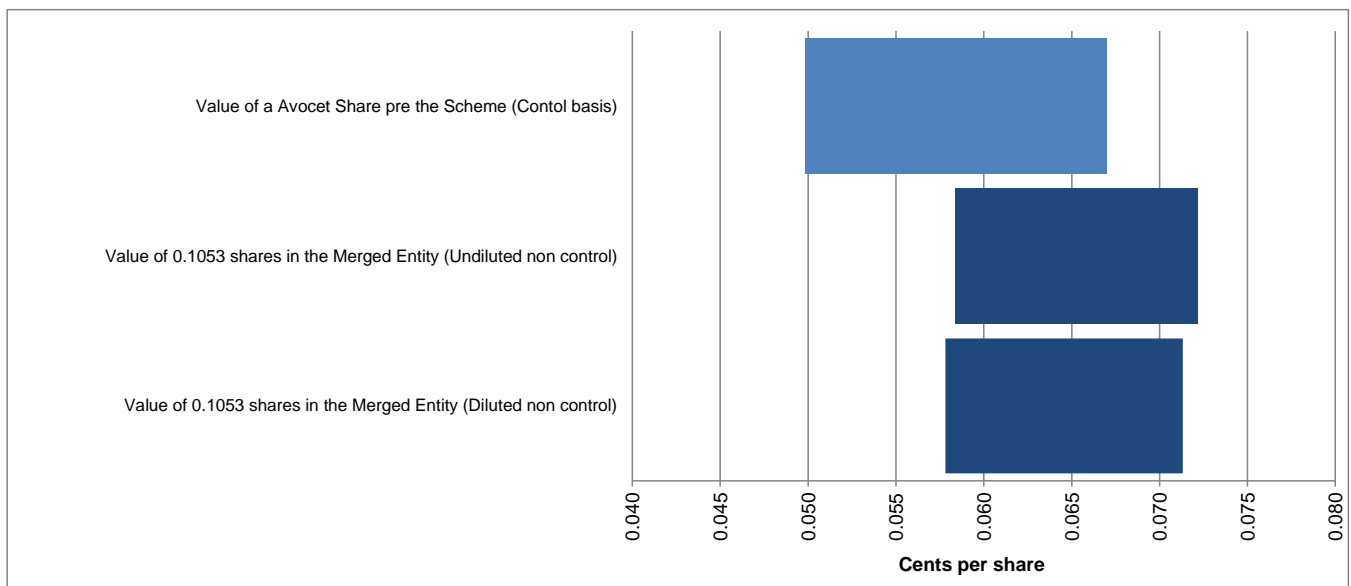


Figure 5: Graphical representation of assed Fair Value of Avocet share to consideration offered under the Scheme (Source: RSMBCC Analysis)

12.3. Our analysis indicates that the Fair Value of the consideration being offered under the Scheme being 0.1053 shares (in the form of CDIs) in the Merged Entity assessed on a non control basis is greater than our assessment of the Fair Value of an Avocet share pre implementation of the Scheme assessed on a control basis. Therefore, we consider that the Scheme is fair and, as such, in the best interests of Avocet Shareholders.

13. Consideration of other factors relating to the Scheme

13.1. As we have concluded that the Scheme is fair to Avocet Shareholder's in accordance with guidelines set out in ASIC RG 111 in our opinion the Scheme is reasonable and in the best interests of Avocet Shareholders. However, we consider and outline in this Section of the Report the following factors which are likely to be relevant to Avocet Shareholders in their assessment of the Scheme:

- The rationale of the Scheme and its advantages and disadvantages of implementation to Avocet Shareholders;
- Other significant factors which Avocet shareholders might consider prior to approving the Scheme; and
- Alternatives to the Scheme.

Stated Rationale for the Scheme

13.2. The Directors of Avocet believe the merger of Avocet and Lion One will create a Merged Entity which will be significantly stronger in terms of funding, assets, resources, operations and people which should enable the Merged Entity to grow and generate greater shareholder value than is currently achievable by Avocet.

13.3. Avocet's Directors consider that implementation of the Scheme provides current Avocet shareholders with an opportunity to become involved in a company with a more advanced exploration and development profile, compared to Avocet as a stand-alone entity.

Future Prospects of Avocet if the Scheme is not approved

13.4. If the Scheme is not approved by Avocet Shareholders, Avocet has stated that it will continue to develop its existing exploration assets. As at 31 December 2012, the Company disclosed a net asset position of circa \$10 million and cash of circa \$3.9 million. Therefore, the Company still has sufficient funding to enable it to continue to explore its assets over the short to medium term should Avocet Shareholders not approve the Scheme.

Advantages and Disadvantages of the Scheme

13.5. We set out below an assessment of the various advantages and disadvantages we consider that are likely to accrue to Avocet Shareholders should they approve the Scheme.

Advantages

Advantage 1 – Proposed Scheme is Fair

13.6. RG 111 states that if the independent expert considers that a scheme of arrangement is fair it also considered reasonable and in the best interests of shareholders. We have concluded that the Fair Value consideration being offered under the Scheme for each Avocet share is greater than the Fair Value of an Avocet share, and as such in our opinion the Scheme is fair to Avocet Shareholders.

Advantage 2 – Opportunity for Diversity and Growth

13.7. The Scheme represents an opportunity for the Company to diversify its interests to include gold

exploration and development in a highly prospective region. The Merged Entity will have three substantial assets, the Tuvatu Gold Project in Fiji, the Olary Creek Project in South Australia and the Ashburton Project in Western Australia.

Advantage 3 – Enhanced Capital Raising Profile

- 13.8. The Scheme provides Avocet with an increased exposure to Canadian, North American and European capital markets and investors through Lion One's listing on foreign exchanges (TSX-V, FSE and OTCQX).

Advantage 4– Additional Capital for Project Development

- 13.9. The Scheme will provide the Merged Entity with a stronger balance sheet relative to Avocet on a stand-alone basis, with the combined entity having a pro forma cash balance of approximately \$17.2 million. Avocet's long term planned expenditures which include extensive exploration drilling on the Ashburton Project and the Argentine Exploration Projects will require significant capital investment and there is no guarantee that Avocet, alone, would be able to raise the significant amounts required in the future.

Advantage 5– Possible Improvement in Liquidity

- 13.10. Implementation of the Scheme may result in greater liquidity in the shares of the Merged Entity compared to the historic liquidity of Avocet shares.
- 13.11. Recent trading in Avocet shares has been relatively illiquid, as outlined in paragraph 9.16 of this Report with only 6.45% of Avocet's total shares on issue being traded in the year prior to the announcement of the Scheme. Whilst still relatively illiquid we note that in the same period approximately there was comparatively more liquidity in Lion One shares with approximately 15.9% of Lion One's ordinary shares being traded, and trading in Lion One's shares on 238 of the trading days in the year prior to the announcement compared to trading in Avocet's shares on 122 days over the same period.

Advantage 6 – Cost Synergies

- 13.12. The merger between Avocet and Lion One has the potential to realise cost synergies such as corporate overheads and the rationalisation of management structures and future decision making processes.

Advantage 7 – CDIs tradable on the ASX

- 13.13. Lion One is seeking official quotation on the ASX of the CDIs to be issued upon implementation of the Scheme, as such for those Avocet Shareholders who are eligible to receive CDIs under the Scheme these will be tradeable on the ASX.

Disadvantages

Disadvantage 1 – Dilution of Shareholders' Interests

- 13.14. Should Avocet Shareholders approve the Scheme, collectively their interest in the assets of Avocet will be diluted from 100.0% to 18.5% on an undiluted basis and 17.5% on a fully diluted basis (ignoring roundings).

Disadvantage 2 – Change in Nature and Scale of the Company's Activities

- 13.15. The Company will be changing the nature and scale of its activities to include gold exploration activities in

Fiji, which may not be consistent with the investment objectives of all Avocet Shareholders.

Disadvantage 3 – Exposure to Sovereign Risk of Operating in Fiji

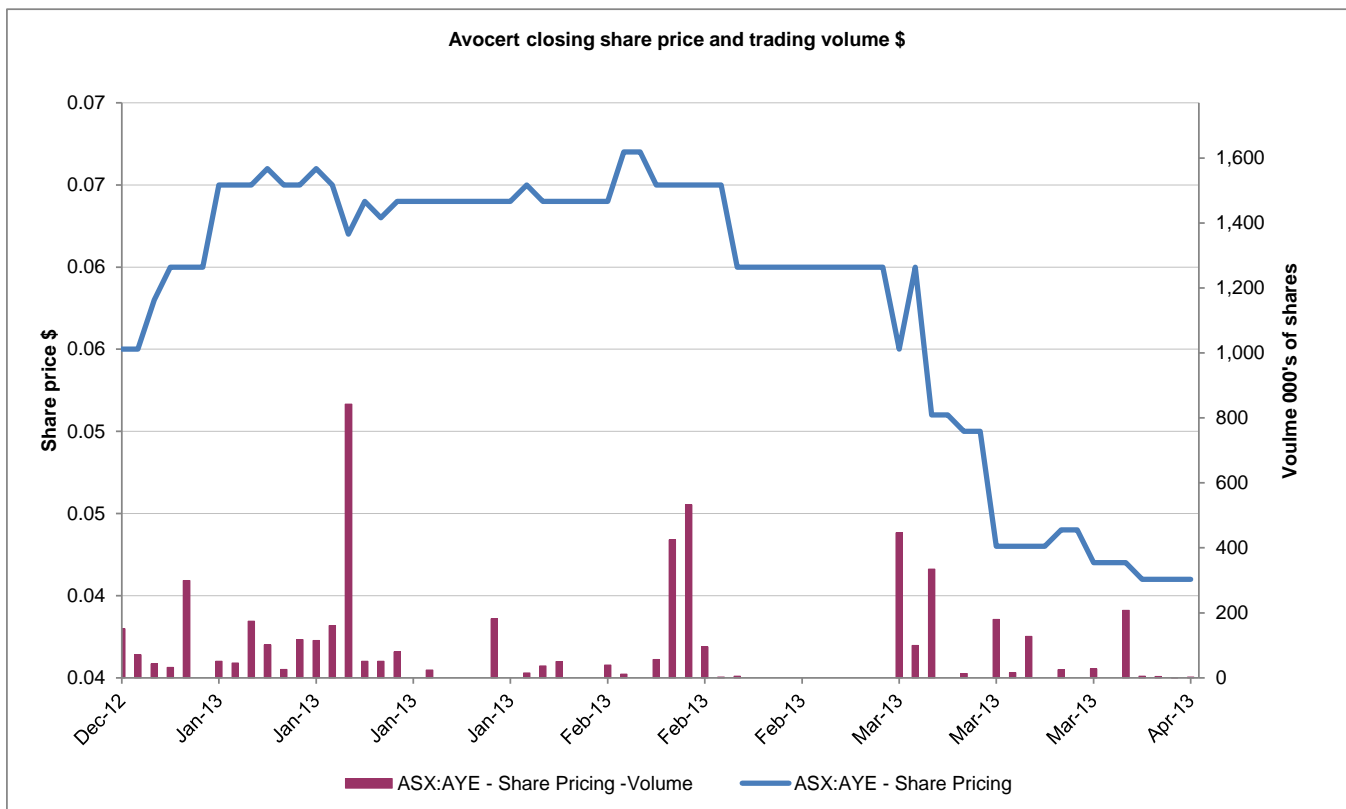
13.16. The risk profile of Avocet will change should the Scheme be implemented and Avocet Shareholders will become exposed to the sovereign risks associated with operating in Fiji, most notably we note that Fiji is currently being governed by military rule following a coup in 2009. A summary of the political landscape of Fiji is set out in Appendix 4 of this Report.

Disadvantage 4 – Potential Deterrent to a Future Offer

13.17. Should Avocet Shareholders elect to approve the Scheme, it is possible that a superior proposal, which may be more attractive to Avocet Shareholders than the Scheme, may arise in the future were Avocet to remain an independent Company.

Trading in Avocet and Lion One shares post the announcement of the Scheme

13.18. The figure below sets out an analysis of the trading in Avocet's shares in the period since the announcement of the Scheme to 16 April 2013.



Pro-forma top 10 shareholders in Merged Entity

- 13.25. We have considered whether any shareholder of Avocet or Lion One is likely to be a position to influence or control the Merged Entity should the Scheme be implemented. As set out in Section 6.8 of this Report due to Canadian disclosure laws which do not require shareholders to disclose their shareholdings unless then hold in excess of 10% of a Canadian company we are unable to determine the holdings of all the shareholders of Lion One and as such we are unable to provide Avocet Shareholders with a definitive assessment of the pro forma shareholders of the Merged Entity.
- 13.26. However as set out Section 7.8, based on those known shareholders of Avocet and Lion One, our analysis indicates that Walter Berukoff will have an interest of approximately 38.56% in the Merged Entity should the Scheme be implemented. Whilst Mr Berukoff will not control the Merged Entity, an interest of this level is likely to provide him with the ability to exert significant influence on the board composition and the future strategic direction of the Merged Entity.
- 13.27. Given that holders of Canadian securities are required to disclose their interests if it exceeds 10%, we can conclude that, other than Walter Berukoff, it is unlikely that any other shareholder will have in excess of a 10% interest in the Merged Entity.

Implied value of the Scheme consideration and premium based on market prices

- 13.28. As part of our analysis we have considered the historic relative value of Avocet and Lion One share prices over various periods both pre and post the announcement of the Scheme. In performing this analysis we have adjusted Lion One's share price such that it reflects the terms of Scheme of 0.1053 Lion One shares (in the form of CDIs) to be issued for each Avocet share and converted the price of a Lion One share from C\$ to \$ based on the historical daily C\$: \$ exchange rate.
- 13.29. The table below summarises the relative trading prices of Avocet and Lion One and determination of any implied premium between the value of Lion One shares under the terms of the Scheme and historic trading value of Avocet shares.

Period	Avocet \$	Lion One \$	0.1053 Lion One \$	Implied premium %
Pre announcement of the Scheme				
Close 21 December 2012	\$0.056	\$0.724	\$0.076	36.1%
10 Day VWAP	\$0.059	\$0.700	\$0.074	25.8%
30 Day VWAP	\$0.056	\$0.667	\$0.070	26.3%
60 Day VWAP	\$0.054	\$0.663	\$0.070	29.1%
90 Day VWAP	\$0.053	\$0.660	\$0.070	31.3%
Post announcement of the Scheme				
Close 16 April 2013	\$0.041	\$0.439	\$0.046	12.7%
10 Day VWAP	\$0.041	\$0.474	\$0.050	21.8%
30 Day VWAP	\$0.049	\$0.521	\$0.055	11.0%
60 Day VWAP	\$0.057	\$0.616	\$0.065	13.8%
VWAP of total trading since announcement	\$0.059	\$0.646	\$0.068	14.5%

Table 35: Analysis of implied premium (Source: S&P Capital IQ)

- 13.30. The implied premium of the consideration offered under the Scheme ranges from 25.8% to 36.1% based on an analysis of the market prices of Avocet and Lion One pre the announcement of the Scheme and

based on the market prices of Avocet and Lion One post the announcement of the Scheme. We note that the implied premium under the terms of the Scheme based on the market prices of Avocet and Lion One post the announcement has decreased and is in the range of 12.7% to 21.8%, which is due to the fall in Lion One's share price relative to Avocet's share price in the period subsequent to the announcement.

Alternative Proposals

- 13.31. The alternative to the Scheme is for Avocet Shareholders to vote against the Scheme in the hope that they can realise greater value from their investment in Avocet either through maintaining Avocet as an independent company or through the emergence of a superior proposal to the Scheme. There is no evidence to suggest that Avocet Shareholders would be better off under this alternative.
- 13.32. The Directors of Avocet have confirmed that at the date of this Report they are not aware of any other proposals.

Tax implications

- 13.33. Whilst there would appear to be no significant tax implication of the Scheme each Avocet Shareholder is encouraged to seek professional tax advice to assist them in assessing the impact of the Scheme on their own individual tax position. RSMBC has not considered the tax implication of the Scheme for Avocet or individual shareholders.

Conclusion

- 13.34. In the absence of any other relevant information and/or a superior proposal, RSMBCC considers the Scheme to be fair and reasonable to Avocet Shareholders and as such that the Scheme to be in the best interests of Avocet Shareholders.

Yours faithfully

RSM BIRD CAMERON CORPORATE PTY LTD



A GILMOUR
Director



G YATES
Director

APPENDIX 1

Declarations and Disclosures

RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.

Mr. Andrew Gilmour and Mr Glyn Yates are directors of RSM Bird Cameron Corporate Pty Ltd. Both Mr Gilmour and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting Avocet Shareholders in considering the Scheme. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Avocet Resources Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Bird Cameron Corporate Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the Scheme, except that RSM Bird Cameron Corporate Pty Ltd are expected to receive a fee of \$27,500 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Avocet Resources Limited receives Shareholder approval for the Scheme, or otherwise.

Consents

RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of General Meeting and Explanatory Memorandum to be issued to Shareholders and the Scheme Booklet. Other than this report, none of RSM Bird Cameron Corporate Pty Ltd or RSM Bird Cameron Partners or has been involved in the preparation of the Notice of General Meeting and Explanatory Memorandum and the Scheme Booklet. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement or the Scheme Booklet.

APPENDIX 2

Sources of Information

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Scheme Booklet;
- Avocet Audited Financial Statements for the period ended 30 June 2011 and year ended 30 June 2012;
- Avocet Reviewed financial statements for the half year ended 31 December 2012;
- Lion One Audited Financial Statements for the period ended 30 June 2012;
- Lion One unaudited interim financial statements for the 3 and 6 months period ended 31 December 2012;
- MIA;
- ASX announcements of Avocet;
- TSX-V announcements of Lion One;
- S&P Capital IQ database;
- Salva Resources Report; and
- Discussions with Directors of Avocet and Lion One.

APPENDIX 3

Glossary of Terms and Abbreviations

Term or Abbreviation	Definition
\$	Australian Dollar
Act	Corporations Act 2001 (Cth)
AME	American Eagles Resources Incorporated, private company which owned the Tuvatu Project which undertook a reverse takeover of X-Tal to form Lion One
Ardmore Project	Mineral exploration project comprising of a single tenements located in Queensland which is 100% wholly owned by Avocet
Argentine Exploration Project	Collectively Avocet's interest's and rights in the Cerro Chacon Joint Venture, the Sierra Cuadrada Joint Venture and the Sierra Cuadrada Applications
Ashburton Project	Mineral exploration project located in Western Australia which comprises of 19 granted exploration tenements in which Avocet has both direct and indirect interests via joint ventures
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Avocet	Avocet Resources Limited
Avocet Shareholders	Current shareholders of Avocet
C\$	Canadian Dollar
Cabrera	Cabrera Capital Corporation, a company with which Lion One has CSA with
Cameco	Cameco Australia Pty Ltd, company with Avocet has a joint venture relating to the Ashburton Project
CDI	CHESS Depositary Interests
Cerro Chacon Joint Venture	Joint venture over certain mineral exploration tenements located in Argentina in which Avocet has the right to earn up to a 100% interest
Company	Avocet
Control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders have control of entity in which the equity is held
CSA	Management and Corporate Services Agreement
Cullen	Cullen Exploration Pty Ltd, joint venture partner with Avocet and Thundelarra on the Saltwater Pool Joint Venture

Term or Abbreviation	Definition
Discounted Cash Flow Method (DCF)	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
Equity	The owner's interest in property after deduction of all liabilities
Fair Value	the amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
FSE	Frankfurt Stock Exchange
FSG	Financial Services Guide
Going Concern	An ongoing operating business enterprise
IBIS	IBIS World, producer of industry reports
IER	This Independent Expert Report
JORC	Joint Ore Reserves Committee (of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia).
JORC code	A code developed by the Australian Joint Ore Reserves Committee which sets minimum standards for public reporting of exploration results, Mineral Resources and Ore Reserves.
Lion One	Lion One Metals Limited
Lion One Interim Financial Statements	Lion One unaudited interim financial statements for the 3 and 6 month period ended 31 December 2012 filed with the TSX-V
Merged Entity	Lion One post implementation of the Scheme, at which point it will own 100% of Avocet
MIA	Merger Implementation Agreement entered into between Lion One and Avocet on 21 December 2012 (as amended)
Non control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held
Olary Creek Project	Mineral exploration project comprising of one tenement located in South Australia in which Avocet has a free carried 25% interest (to bankable feasibility study and decision to mine)
Piche	Piche Resources Pty Ltd, 100% owned subsidiary of Avocet
Regulations	Corporations Act Regulations 2001 (Cth)
Report	This Independent Experts Report prepared by RSMBCC dated 28 March 2013
RG 111	ASIC Regulatory Guide 111 Contents of Expert's Reports

Term or Abbreviation	Definition
RSMBCC	RSM Bird Cameron Corporate Pty Ltd
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
Saltwater Pool Joint Venture	Mineral exploration joint venture in which Avocet has the right to earn up to a 51% interest, which forms part of the Ashburton Project
Salva Resources	Salva Resources Pty Ltd, mineral exploration valuation specialists
Salva Resources Report	Report prepared by Salva Resources included in this Report, setting a valuation of Avocet's Australian exploration assets and Lion One's Tuvatu Project
Scheme	Proposed merger of the operations of Lion One and Avocet by way of a scheme of arrangement
Scheme Booklet	Booklet prepared for the Scheme to which this Report is attached
Scheme Meeting	General meeting of the Company in relation to the Scheme to be held on or around May 2013
Sierra Cuadrada Applications	For mineral tenement applications located in Argentina in which Avocet has a 100% interest
Sierra Cuadrada Joint Venture	Joint venture over certain mineral exploration tenements located in Argentina in which Avocet has the right to earn up to a 51% interest
SPL's	Fijian Special Prospecting Licences
Thundelarra	Thundelarra Exploration Ltd, joint venture partner with Avocet and Cullen on the Saltwater Pool Joint Venture
Tuvatu Project	The Tuvatu gold project located in Fiji which is 100% owned by Lion One
TSX-V	Toronto Stock Exchange Venture Exchange
VALMIN code	Code for the technical assessment and valuation of mineral and petroleum assets and securities for independent expert reports 2005
VWAP	Volume weighted average share price
Wabli Creek Project	Mineral exploration project comprising of two tenements located in Western Australia which are 100% wholly owned by Avocet
Westmoreland Project	Mineral exploration project comprising of two tenements located in Queensland which are 100% wholly owned by Avocet
X-Tal	X-TAL Minerals Corporation, previous name of Lion One

APPENDIX 4

Overview of the Global Gold Industry and Fiji country analysis

Background

Should Avocet Shareholders and subsequently the Court approve the Scheme they will be exposed to the risks associated with the operations of Lion One. Lion One's only significant assets is its 100% interest in the Tuvatu Project, located in Fiji which is highly prospective for gold with inferred gold resources of 480,000 ounces and indicated gold resources of 172,000 ounces, based on the definitions of mineral resource set out in the Salva Resources Report at Appendix 5. Consequently we set out below an analysis of the global gold industry and an overview of Fiji.

Global Gold Industry

Overview

Gold is primarily found in rock ores and most often occurs as a native metal (i.e. found in nature in a metallic form) typically as an alloy with silver. Gold is a ductile metal with high electrical conductivity, making it ideally suited to a variety of applications including electrical wiring, coloured glass production and gold leafing. Historically, gold has been attributed a high monetary value due to its rarity, malleability and shiny and attractive appearance resulting in its widespread use in coinage and jewellery and as a reserve asset by sovereign nations.

Gold resources & production

According to the World Gold Council, there are approximately 165,000 metric tonnes of gold in existence above ground. South Africa is the world's largest producer of gold with around half of the world's gold having been sourced from South African mines. However, in 2007 China overtook South Africa as the world's largest gold producer having produced 276 metric tonnes compared to South Africa's 272 metric tonnes in that year.

Global gold mine production in 2012 reached 2,847.7 tonnes (above the five year average of 2,614 tonnes). Along with production from recycled gold, total world gold production in 2012 reached approximately 4,453 tonnes.

Gold consumption

World Gold Council figures suggest that in 2012 there was a global demand for gold of 4,405 tonnes. Approximately 1,908 tonnes (43%) was purchased for jewellery and jewellery fabrication, 1,255 tonnes (28%) was used for the production of coinage and bars, 428 tonnes (10%) was used in technological applications and the remainder (19%) was purchased by investors and central banks.

Indians were the world's largest consumers of gold in 2012, having purchased 864.2 tonnes at a total value of US\$46.5 million with around 64% of purchases in jewellery and the remainder in investments. China was the second largest consumer with total purchases of 776.1 tonnes worth US\$41.8 million.

Gold prices

Gold prices are quoted in US dollars on the London Metals Exchange ("LME") and measured in troy weight. The price is determined through trading in the gold and derivatives markets and through a gold fixing process which is designed to fix a price for settling contracts between members of the London bullion market.

Demand is largely determined by the requirements of the jewellery production industry and levels of investment from private investors and governments and to lesser extent, the production of technologies which utilise gold.

Jewellery consistently accounts for the majority of world demand, especially in India where gold demand is supported by cultural and religious traditions which are not directly linked to global economic trends. The attraction of gold for investment purposes is its ability to insure against instability and protect against risk.

Gold prices (as well as other commodities) are priced in US dollars. Therefore, the revenues of industry participants are exposed to the volatility in local exchange rates against the US dollar, in addition to gold prices.

Set out below are the historical gold prices as quoted on the LME.



Chart 1: Historical LME Gold Prices (Source: S&P Capital IQ)

In late 2009, gold markets experienced renewed upwards momentum due to increased demand and a weakening US dollar. In December 2009 gold reached a new high closing at US\$1,217/ounce. Gold further rallied hitting new highs in May 2010 after the European Union debt crisis prompted further purchase of gold as a safe asset and hit highs of around US\$1,800/ounce in late September and early October 2011.

In the 18 month period since the recent highs gold prices steadily fell closing at around US\$1,600 by the end of March 2013. In recent days prior to the date of the Report gold prices have fallen rapidly and significantly with the price falling by approximately US\$178/ounce or 11% from a closing price of approximately US\$1,565/ounce on 11 April 2013 to US\$1,387/ounce on 16 April 2013.

About Fiji

Geography and overview

Fiji consists of more than 320 islands, atolls and islets with a total land mass of approximately 18,274 square kilometres in the Southwest Pacific. The two major islands are Viti Levu and Vanua Levu are home to in excess of 85% of the country's 850,000 strong population, and are located approximately 2,000 kilometres north east of New Zealand's north island.

Economy

Fiji is the largest and the most developed of the Pacific Island economies. Major industries include tourism, sugar and gold mining. Key export partners of the country are the US and Australia which accounted for approximately 15.7% and 14.6% of total exports in terms of value in 2010⁴.

GDP per capita was estimated to be US\$4,600 in 2011, which ranked the country 153 in the world. The structural business environment is generally considered to be sound, with the majority its legal system and many of its commercial statutes being based on Australian, British and New Zealand legislation for precedents and practice⁵.

Political status and sovereign risk

Fiji has been an independent county since October 1970 when it ceased being a British colony. Since independence elected government rule has been punctuated by a series of coups. The latest took place in December 2006 when the military led by Commodore Bainmarama, seized executive power from the previously elected regime.

In 2009 the military regime abrogated the country's constitution, after the Court of Appeals ruled that the military takeover was illegal and recommended fresh elections. Bainmarama has been installed as interim Prime Minister, and rules by decree while the country remains in a state of emergency. Mr Bainmarama has said there will be a new constitution by September 2013 followed by elections in September 2014.

International relations have been strained by continued military rule, with the EU suspending sugar allowances and the US suspending aid. Australia and New Zealand imposed travel sanctions on individuals from the regime but not on broader trade and aid and Fiji was suspended from the Pacific Islands forum and the Commonwealth after the coup. However in July 2012 Australia and New Zealand moved to restore ties with Fiji agreeing to restore high commissioners with the three countries.

Mining industry

Mining is a significant part of Fiji's economy, with gold exports representing the countries second largest export. Gold production is dominated by two mines, the largest being the 100,000 ounces per year Vatukoula Mine, owned by AIM listed Vatukoula Gold Mines Plc⁶.

⁴ CIA World Fact Book, Fiji Economy 2012

⁵ Euler Hermes, Country Review Fiji, February 2011

⁶ MBendi Information services, Mining in Fiji, www.mbendi.com

APPENDIX 5

Salva Resources Pty Ltd Independent Valuations of Avocet's Australian exploration assets and the Tuvatu Project



Avocet Resources & Lion One Metals

Independent Assessment & Mineral Asset Valuation Report

Prepared for

RSM Bird Cameron Corporate Pty Ltd

March 2013

Corresponding author:

Manish Garg
BEng (Hons), Master of Applied Finance
MAusIMM
Director- Salva Consult
Salva Resources – Brisbane Office

Other contributing authors:

Mark Davis, Principal Consultant – Geology, Salva Resources- London Office
Sachin Sudhanshu, Analyst – Due Diligence & Valuations, Salva Resources- Brisbane Office

Table of contents

Executive Summary	1
1 Introduction	6
1.1 Scope	6
1.2 Reporting standard	6
1.3 Data sources	6
1.4 Competent Persons and Experts statement	7
1.5 Disclaimer and warranty	7
1.6 Note on Tenement Status and Material Contracts	8
1.7 Federal Court Practice Note	8
2 Lion One Tuvatu Project	9
2.1 Property Description and Access	9
2.2 Project History and Ownership	10
2.3 Geological Setting and Mineralisation	12
2.3.1 Regional Geology	12
2.3.2 Local Geology	14
2.3.3 Mineralisation	15
2.3.4 Tuvatu Underground Mine	17
2.4 Historical Exploration and Mining	18
2.4.1 Historical Magnetic and Radiometric Surveys	20
2.4.2 Historical Gravity Survey	20
2.4.3 Historical Drilling	21
2.4.4 Historical Studies	22
2.4.5 Recent Exploration Programs by Lion One	23
2.5 Mineral Resource Estimate.....	29
2.5.1 Previous Resource Estimates	29
2.5.2 Resource Estimation- 2010	29
2.6 Metallurgical Test Work	32
2.7 Project Valuation	33
2.7.1 Valuation Approaches	33

2.7.2	Valuation based on Market Comparable.....	34
2.7.3	Valuation based on Appraised Value Method	39
2.7.4	Valuation Summary	40
3	Avocet Resources.....	41
3.1	Ashburton Uranium Project.....	41
3.1.1	Location and Tenure	41
3.1.2	Geological Settings	43
3.1.3	Recent Exploration	45
3.1.4	Valuation	47
3.2	Saltwater Pool JV Gold Project	51
3.2.1	Location and Tenure	51
3.2.2	Recent Exploration	52
3.2.3	Valuation	54
3.3	Wabli Creek Project	56
3.3.1	Location and Tenure	56
3.3.2	Geological Settings and Mineralisation	56
3.3.3	Recent Exploration	57
3.3.4	Valuation	58
3.4	Olary Creek Project.....	59
3.4.1	Location and Tenure	59
3.4.2	Geological Settings and Mineralisation.....	60
3.4.3	Mineralisation	61
3.4.4	Recent Exploration	61
3.4.5	Valuation	70
3.5	Ardmore and Westmoreland Uranium Project	72
3.5.1	Location and Tenure	72
3.5.2	Geological Setting and Mineralisation	75
3.5.3	Recent Exploration	77
3.5.4	Valuation	82
4	Declaration.....	84
4.1	Independence	84

4.2	Qualifications	84
5	References	86
Appendix A	- Valuation Approaches and Methods	88

List of Figures

Figure 2:1	Project Location, Tuvatu Project	9
Figure 2:2	Climate and Rainfall, Nadi, Fiji	10
Figure 2:3	Tectonic Setting of Fiji	13
Figure 2:4	Geological Unit and Time Scale, Viti Levu, Fiji	14
Figure 2:5	Local Geology, Tuvatu Project	15
Figure 2:6	Viti Levu Volcanic Centres	16
Figure 2:7	Mine Development Showing Mineralisation	17
Figure 2:8	Gravity Survey, Tuvatu Project	21
Figure 2:9	3-D Model Showing Historical Drilling	22
Figure 2:10	Trenching Program, Lion One	23
Figure 2:11	Sampling and Trenching Program, Lion One	24
Figure 2:12	Murau Area Profile and Drill Hole Section	25
Figure 2:13	Lion One Exploration Program 2012	26
Figure 2:14	TUDDH-347 - free gold from 124.10 m's depth, 248g/t	28
Figure 2:15	Spot Price of Gold	38
Figure 3:1	Ashburton Uranium Project	42
Figure 3:2	Climate, Paraburdoo	42
Figure 3:3	Map showing Ashburton Basin in the main Tectonic Units of WA	43
Figure 3:4	Key prospects, Paraburdoo Region	45
Figure 3:5	HyMap Hyperspectral Data	46
Figure 3:6	Hylogging data from Drill Core at Ristretto	46
Figure 3:7	Saltwater Pool JV Gold Project	51
Figure 3:8	Rock Chip Sampling Results, Saltwater Pool JV	52
Figure 3:9	Geological Mapping Monster Prospect	53

Figure 3:10 Relationship between size and value for gold properties	55
Figure 3:11 Generalised Surface Geology Wabli Creek Project.	56
Figure 3:12 Climate, Olary Creek Project.....	59
Figure 3:13 Generalised Surface Geology Olary Creek Project	61
Figure 3:14 Preliminary Investigation of Iron ore Potential- Olary Creek Project.....	62
Figure 3:15 Drilling program, Phase-1 & Phase 2, Olary Creek.....	68
Figure 3:16 Magnetic Interpretation Map, Olary Creek Project	69
Figure 3:17 Ardmore Uranium Project Location.....	72
Figure 3:18 Climate, Ardmore Uranium Project	73
Figure 3:19 Westmoreland Uranium Project Location	74
Figure 3:20 Climate, Westmoreland Uranium Project.....	74
Figure 3:21 Generalised Surface Geology - Ardmore Uranium Project	75
Figure 3:22 Generalised Surface Geology of the Westmoreland Uranium Project...	77
Figure 3:23 Key Prospects, Ardmore Uranium Project, 2010.....	78
Figure 3:24 Westmoreland Radiometric Survey	80

List of Tables

Table 2:1 Tuvatu Gold Project Area	12
Table 2:2 Historical Exploration, Tuvatu Gold Project	18
Table 2:3 Results from Key Drill Holes.....	26
Table 2:4 NI 43-101 Resource Estimate (@ 2g/t Au cut off grade)	30
Table 2:5 Estimated Resources at various Cut off grades	31
Table 2:6 Typical Valuation Methods	33
Table 2:7 Comparable Market Transactions to the Tuvatu Gold Project	35
Table 2:8 Market based valuation of Tuvatu Gold Project, Fiji	39
Table 2:9 Tuvatu Gold Project, Exploration Expenditure	39
Table 2:10 Appraised Value- Tuvatu Gold Project.....	40
Table 2:11 Valuation Summary, Tuvatu Gold Project, Fiji	40
Table 3:1 Tenements Schedule, Ashburton Uranium project	41

Table 3:2 Regional Stratigraphy	44
Table 3:3 Comparable Transaction, Ashburton Project	48
Table 3:4 Valuation Summary – Ashburton Uranium Project	50
Table 3:5 Tenement Schedule, Saltwater Pool JV Project	51
Table 3:6 Key Results from Initial Rock Sampling Program	52
Table 3:7 Geochemical Samples from Saltwater Pool JV Project	53
Table 3:8 Comparable Transaction, Saltwater Pool JV Project	54
Table 3:9 Valuation Summary, Saltwater Pool JV Project	55
Table 3:10 Results from Shallow RC drilling, Wabli Creek Project	57
Table 3:11 : RC Drilling Results, Wabli Creek, 2012	57
Table 3:12 Valuation, Wabli Creek Project.....	58
Table 3:13 Tenement Details Olary Creek	60
Table 3:14 Drill Holes Details 2011-12 Program	63
Table 3:15 Concentrate DTR and Head Grade Results	64
Table 3:16 Comparable Transactions, Olary Creek.....	70
Table 3:17 Valuation Summary, Olary Creek Project	71
Table 3:18 Ardmore Uranium Project Tenement	73
Table 3:19 Westmoreland Uranium Project Tenements	75
Table 3:20 Ardmore Uranium Project Rock Chip Sampling Results, 2010	78
Table 3:21 RC Drilling program, Ardmore Uranium Project.....	79
Table 3:22 Comparable Transactions, Ardmore & Westmoreland Uranium Projects	82
Table 3:23 Valuation Summary, Ardmore and Westmoreland Uranium Project	83

Key abbreviations

Anticline	An anticline is a fold that is convex , with older layers closer to the centre or core
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
Avocet	Avocet Resources Limited
AUD	Australian dollars
AusIMM	Australian Institute of Mining and Metallurgy
CAD	Canadian Dollars
Cretaceous	Geological period (70 million years to 140 million years ago)
DCF	Discounted cash flow
EEM	Exploration expenditure multiples (method of mineral valuation)
Emperor	Emperor Gold Mines
FY	Australian Financial Year, runs between July and June
FEA	Fiji Electricity Authority
Formation	A formation consists of a certain number of rock strata units that have a comparable lithology, facies, or other similar properties.
Gangue	The commercially worthless material surrounds, or is closely mixed with, a wanted mineral in an ore deposit.
Geopacific	Geopacific Ltd.
Ha	Hectare(s)
JORC	2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Jurassic	Geological period (140 million years to 200 million years ago)
km	Kilometre(s)
km ²	Square kilometre
M	Million
Lion One	Lion One Metals Limited
Member	A lithostratigraphic unit of subordinate rank, comprising some specially developed part of a Formation.
Mesozoic	Geological era (70 million years to 250 million years ago)
Mt	Millions of tonnes
Mtpa	Millions of tonnes per annum
NPV	Net present value
NTA	Net tangible assets
RC	Reverse circulation (drilling)
Salva	Salva Resources Pty Ltd
RSMBCC	RSM Bird Cameron Corporate Pty Ltd
SPL	Special Prospecting License
Syncline	A syncline is a fold that is concave, with younger layers closer to the centre of the structure or core

t	Tonne
USD	United States Dollar
Vatukoula	Name of the Gold mine owned by Emperor Gold Mines Limited
VALMIN	2005 Edition of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
X- Tal	X- Tal Minerals Corp.

Executive Summary

Avocet Resources Limited (“Avocet”) commissioned Salva Resources Pty Ltd (Salva) to prepare an Independent Mineral Asset Valuation Report (“Report”) for its key mineral assets in Australia along with key assets of Lion One Metal Limited (“Lion One”) in Fiji.

Salva understands that this report will be relied on by RSM Bird Cameron Corporate Pty Ltd (RSMBCC) within its Independent Expert’s Report (“IER”) as part of the proposed transaction to be presented to Avocet’s shareholders. Avocet is proposing to merge with TSX-V listed Lion One through a Scheme of Arrangement.

The Report has been undertaken under the guidelines of the VALMIN Code, which incorporates the JORC Code. This Report is comprised of an Independent assessment and Valuation of Key projects and exploration tenements held by Lion One and Avocet.

Lion One Tuvatu Gold Project, Fiji

Lion One’s Tuvatu Project, comprising of three contiguous Special Prospecting Licences (“SPLs”), located near the city of Nadi on the island of Viti Levu, Republic of Fiji. The Tuvatu Project is located approximately 25 - 30 km from Nadi International Airport, which is serviced by several Australian airlines.

Tuvatu is one of several epithermal gold systems along the more than 250 km northeast trending Viti Levu lineament, which are genetically associated with alkaline magmatism. The geology of the Tuvatu deposit is dominated by a sequence of volcanic units that have been intruded as monzonite intrusives representing the root of a caldera. The basal unit in the region is the Nadele Breccia, a member of the Late Oligocene-Middle Miocene Wainimala Group. Although the mineralisation at Tuvatu is predominantly epithermal, the presence of porphyry type mineralisation has also been established by Lion One. Historically, Tuvatu gold mine conducted an underground exploration program comprising subsurface drilling of boreholes from a decline which was developed to a depth of 250m during year 1998 to 2000.

The historical exploration program conducted by several agencies has established a presence of eighteen (18) lodes, mainly confined to a designated area named “Upper Ridges”. Gold resources present in these lodes have already been modelled and NI-43-101 compliant Resources have been established by P&E Mining Consultants in October 2010, which superseded all other resource estimations. The mineral resource estimate was prepared in accordance with the requirements of NI 43-101 by Mr Fred H. Brown, MSc. (Eng), CPG, and Pr.Sci.Nat, a Qualified Person (Q.P.) as defined by NI-43-101, which was prepared for X-Tal Minerals Corp and effective from October 1, 2010. P&E Mining Consultants states a current Indicated total resource estimate for the Tuvatu project as 0.76Mt @ 7.05 g/t Au for 172,000 ounces of gold and an Inferred total resource estimate as 2.618Mt @ 5.71 g/t for 480,000 ounces of gold using a 2 g/t cut-off value.

During its drilling campaign, significant gold bearing minerals have been intersected. At present Lion One is exploring the Tuvatu Gold Project and has made a significant advancement in terms of delineating gold resources in other lodes which have not been modelled so far.

Additionally, Lion One has also conducted metallurgical test work on the samples obtained from the deposit. The results from the test work indicated a gold recovery of up to 94% can be attained.

Salva has valued the assets owned by Lion One using two approaches, Market Comparable, and Appraised Value Method. Salva’s opinion of fair market value of Lion One’s interest (100%) in the Tuvatu Gold Project has been summarised in the following Table.

Approach	Method	Values (\$ Million)		
		Low	High	Preferred
Cost-based	Appraised Valuation	21.6	30.2	25.9
Market-based	Market Comparable	19.2	33.6	26.4
Tuvatu Project (100% Equity) – Selected Valuation		20.4	31.9	26.2

Avocet Resources

Avocet (earlier known as U3O8 Limited), owns a number of tenements, prospective for uranium, precious metals and iron ore, located in Western Australia, Queensland and South Australia and Argentina. The primary focus of Avocet is exploration of uranium resources. However, after recent success from the exploration program conducted in its Australian tenements, Avocet has started to explore for precious metals and iron ore.

Avocet's Key Tenements located in Western Australia

The Ashburton Uranium Project is one of the major projects owned by Avocet in Western Australia. The Ashburton Uranium Project has the potential to host large unconformity style uranium deposits. This project is located at a distance of approximately 100 km south east to the mining town of Paraburdoo.

The Ashburton Uranium Project consists of thirteen tenements covering an area of around 1200 km², being developed as a joint venture (50: 50) between Avocet and Cameco Australia Pty Ltd: ("Ashburton JV Project") and three additional wholly owned tenements of 526 km² area in the Ashburton area.

Tenements comprising the Ashburton Uranium Project fall within the Ashburton basin and cover the contact zone between the Lower Proterozoic Ashburton Trough and the Mid Proterozoic Bresnahan Basin, comprising rocks of the Wyloo Group. These projects have the potential to host unconformity style uranium deposits along with deposits of gold, silver and rare earths.

Avocet identified key prospects with significant uranium and rare earth potential within the Ashburton JV Project and identified key prospect areas for the purpose of a diamond and RC drilling program. Selected samples from the three deeper diamond bore holes were analysed by Hylogging System. The Hylogging data is an analysis of the visible, near infrared and short wavelength infrared reflectance spectrum and identifies the alteration mineralogy which may be associated with general alteration assemblages and specifically uranium mineralisation.

The Saltwater Pool JV Project is located in close proximity to the Ashburton Uranium Project. It is comprised of three tenements owned by Cullen Resources and Thundelarra Exploration. Avocet is farming into these three tenements either with Cullen Resources or Thundelarra Exploration. Historically, these tenements have not been explored thoroughly and there is not any evidence of historical workings.

The Saltwater Pool JV Project is being explored for gold and silver as the major targets. Avocet conducted an initial reconnaissance program on the Saltwater Pool JV Project and collected several samples from the quartz veins present in the area. The results from the sampling program confirmed the presence of gold and silver in these tenements. One of the collected samples indicated an exceptionally high grade of 1660g/t silver, 8.49g/t gold and 1830ppm copper. Avocet is in the process of mapping the vein systems present in the tenements to review the structure, stratigraphy and mineralisation of the key identified prospects.

Apart from these tenements, Avocet also owns Wabli Creek Project. The Wabli Creek Project is located at Gascoyne province of Western Australia, approximately 300 kilometres east of Carnarvon. Wabli Creek Project is considered prospective for uranium mineralisation with reported occurrences of uranium bearing pegmatites and calcretes. In 2012, Avocet completed a small drilling program and reported intersection of U₃O₈.

Avocet's Tenement located in South Australia

Olary Creek project is the sole project owned by Avocet in South Australia. The original target at Olary Creek was palaeochannel hosted uranium mineralisation, similar to that being exploited by in-situ leaching at the Beverley Mine in South Australia. The iron ore mineralisation present at the Olary Creek Project is strata bound and sediment hosted magnetite in Neoproterozoic bedded siltstone and silty shale (Braemer Iron Formation, Umberatana Group). Most recently, based on results from the initial exploration program which was followed by the execution of a joint venture agreement with Chinese investor HJH, exploration at Olary Creek has been targeted for its iron ore potential. The initial reconnaissance program was followed by a two phase drilling program comprising of drilling of diamond and RC holes. The drilling program targeted a significant portion of the siltstone hosted Braemer Iron Formation which is highly prospective for bulk magnetite iron ore deposits in the region. Results obtained from analysis of the sample showed the Fe% in the concentrate was varying from 66.1% Fe to 71.12% Fe with a mass recovery of 13.6% to 51%. The SiO₂ and Al₂O₃ were well within the acceptable limits.

Avocet's Tenements located in Queensland

Ardmore and Westmoreland, both being targeted for uranium, are the two Avocet projects located in Queensland. The Ardmore Uranium Project consists of the Ardmore East tenement, which is located around 80 km south east of Mount Isa in Queensland, close to Dajarra Township. The Westmoreland Uranium Project is comprised of two granted tenements, Eleven Mile & Westmoreland East, which is located 15 km south east of Westmoreland Homestead, in the north western part of Queensland, near the Northern Territory border.

The Ardmore Uranium Project area is located within the Eastern Creek Volcanic sequence of the Mt Isa Inlier of Northwest Queensland. Uranium mineralisation in the Ardmore Uranium tenement is thought to be similar to other uranium occurrences in the district, namely Valhalla, Skal and Andersons Lode. The Ardmore Uranium Project has been explored thoroughly by Avocet. The exploration conducted so far includes rock chip sampling, soil sampling, and geochemical analysis, followed by drilling of RC and diamond core holes. The favourable results from the drilling program enabled Avocet to identify key uranium anomalies; the largest of them named Black Sunday. The primary uranium mineralisation is brannerite, with secondary mineralisation as carnotite, tyuyamunite and meta-autunite. At Black Sunday, the uranium mineralisation is open ended with costean intersections of 6.5m @ 0.21% U and 3.0m @ 0.33% U.

The Westmoreland Uranium Project tenement is located within the Carpentaria-Karumba basin in Northwest Queensland. The Westmoreland Uranium Project area targets are hard rock uranium mineralisation in the eastern continuation of the Westmoreland Conglomerate, and roll front palaeochannel mineralisation in the Cainozoic sands further east and north-east, analogous to those in the Frome Embayment of South Australia, where the Beverley and Honeymoon deposits are located. Laramide Resources, currently involved in exploration and development of uranium resources in Westmoreland Area, has reported JORC/NI 43-101 resource of 51.9 million pounds (36 lbs. indicated) of uranium (U₃O₈) with average grade of 0.089% (890ppm).

The exploration conducted by Avocet on Westmoreland Uranium project includes airborne radiometric/magnetic survey. The survey identified a number of significant anomalies, particularly in the southern part of EPM 14964. A field exploration program is yet to commence on the Westmoreland Uranium Project.

Avocet – Mineral Asset Valuation

Salva has opted to value tenements owned by Avocet on the basis of comparable market transactions. A summary of tenements owned by Avocet is presented in the table below.

Project	Tenement Size (km ²)	Selected Value (\$/km ²)			Project value (\$ 000)		
		Low	High	Preferred	Low	High	Preferred
Ardmore Uranium Project	32	4,300	11,200	7,750	138	358	248
Westmoreland Uranium Project	167	500	1,500	1,000	84	251	167
Avocet's Equity Value (100%)					221	609	415
Olary Creek Project	280	3,500	7,000	5,400	980	1,960	1,512
Olary Creek Project - Avocet Share (25%)					245	490	378
Ashburton Uranium Project	1,647	636	1,182	909	1,048	1,946	1,497
Avocet Equity Share*					691	1283	987
Saltwater Pool JV Project	649	1,562	3,477	2,520	1,013	2,255	1,634
Avocet Equity Share (51%)					517	1,150	833
Wabli Creek Uranium Project	72	1410	2,609	2,007	101	187	144
Avocet Equity Share (100%)					101	187	144
Avocet's Project Value (\$ 000)					1,775	3,719	2,757

* includes value of the Avocet's wholly owned tenements

1 Introduction

Avocet Resources Limited (“Avocet”) commissioned Salva Resources Pty Ltd (“Salva”) to prepare an Independent Mineral Asset Valuation Report (“Report”) for its key mineral assets in Australia along with key assets of Lion One Metals Limited (“Lion One”) in Fiji.

Salva understands that this Report will be relied on by RSM Bird Cameron Corporate Pty Ltd (“RSMBCC”) within its Independent Expert’s Report (“IER”) as part of the proposed transaction to be presented to Avocet’s shareholders.

Avocet is proposing to merge with TSX-V listed Lion One via a Scheme of Arrangement. The Report has been undertaken under the guidelines of the VALMIN Code, which incorporates the JORC Code.

1.1 Scope

RSMBCC has requested that Salva provide an independent assessment and valuation of the following mineral assets:

Lion One Metal Limited:

- Tuvatu Project, Fiji

Avocet Resources Limited

- Ashburton and Saltwater Pool Projects, Western Australia
- Olary Creek Project, South Australia
- Ardmore and Westmorland Project, Queensland

1.2 Reporting standard

The Report is prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts (“the VALMIN Code”) as issued in 1995 and updated in 2005. For the purposes of this Report, value is defined as “fair market value”, being the amount for which a mineral asset should change hands between a willing buyer and a willing seller in an arm’s length transaction where each party is assumed to have acted knowledgeably, prudently and without compulsion.

1.3 Data sources

This review is based on the information provided by Avocet and Lion One, the technical reports of consultants and previous explorers, as well as other published and unpublished data relevant to the area. Salva has carried out, to a limited extent, its own independent assessment of the quality of the geological data. The status of agreements, royalties or tenement standing pertaining to the assets was, however, not investigated and Salva was not required to do so.

In developing our assumptions for this Report, Salva has relied upon information provided by the company and information available in the public domain. Key sources are outlined in this Report and all data included in the preparation of this Report has been detailed in the references section of this report. Salva has accepted all information supplied to it in good faith as being true, accurate and complete, after having made due enquiry as of January 2013.

1.4 Competent Persons and Experts statement

The information in this report that relates to Exploration Targets and Exploration Results is based on information derived from data and reports provided by the company. This information was compiled by, or under the supervision of Manish Garg (BEng (Hons), Master of Applied Finance, MAusIMM) and Mark Davis (M.Sc. (Geology), FGS CGeo EuroGeo).

Mr Garg and Mr Davis have sufficient assessment and valuation experience, which is relevant to the activity that they are undertaking to qualify as an Expert as defined in the 2005 Edition of the “Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports” (VALMIN Code).

1.5 Disclaimer and warranty

This Report was commissioned by Avocet on a fee-for-service basis according to Salva’s schedule of rates. Salva’s fee is not contingent on the outcome of its valuation or the success or failure for the transaction for which the report was prepared. None of Salva’s consultants or their immediate families involved in the preparation of this valuation report have (or had) a pecuniary or beneficial interest in Avocet prior to or during the preparation of this report.

A draft version of this report was provided to the directors of Avocet and Lion One for comment in respect of omissions and factual accuracy. As recommended in Section 39 of the VALMIN Code, Avocet has provided Salva with an indemnity under which Salva is to be compensated for any liability and/or any additional work or expenditure, which:

- results from Salva’s reliance on information provided by Avocet and/or Independent consultants that is materially inaccurate or incomplete, or
- relates to any consequential extension of workload through queries, questions or public hearings arising from this report.

This report may contain or refer to forward-looking information based on current expectations, including, but not limited to timing of mineral resource estimates, future exploration or project development programs and the impact of these events on the Avocet. Forward-looking information is subject to significant risks and uncertainties, as actual results may differ materially from forecasted results. Forward-looking information is provided as of the date hereof and Salva assumes no responsibility to update or revise them to reflect new events or circumstances.

The conclusions expressed in this updated valuation report are appropriate as at March 2013. The valuation is only appropriate for this date and may change in time in response to variations in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values outlined in this report are expressed in Australian dollars (\$) unless otherwise stated. Salva services exclude any commentary on the fairness or reasonableness of any consideration in relation to this acquisition.

1.6 Note on Tenement Status and Material Contracts

Salva has not independently verified the current ownership status and legal standing of the material tenements that are the subject of this Report. Instead it has relied on legal advice, provided to Avocet and Lion One by:

- Allion Legal in relation to Avocet's Australian tenements; and
- Howards Lawyers, in relation to Lion One's Fijian tenements,

regarding the status of the material tenements underlying the mineral assets involved in the transaction and this advice confirms that the material tenements are in good standing in all material respects.

Salva has not reviewed the material contracts relating to the mineral assets of Avocet and Lion One and is not qualified to make legal representations in this regard.

This Report does not include tenements of Avocet in Argentina, as Salva does not consider those tenements to be material within the overall context of the transaction.

1.7 Federal Court Practice Note

Salva confirms that it has read, understood and complied with the Federal Court of Australia Practice Note CM7 "Expert Witnesses in Proceedings in the Federal Court of Australia".

2 Lion One Tuvatu Project

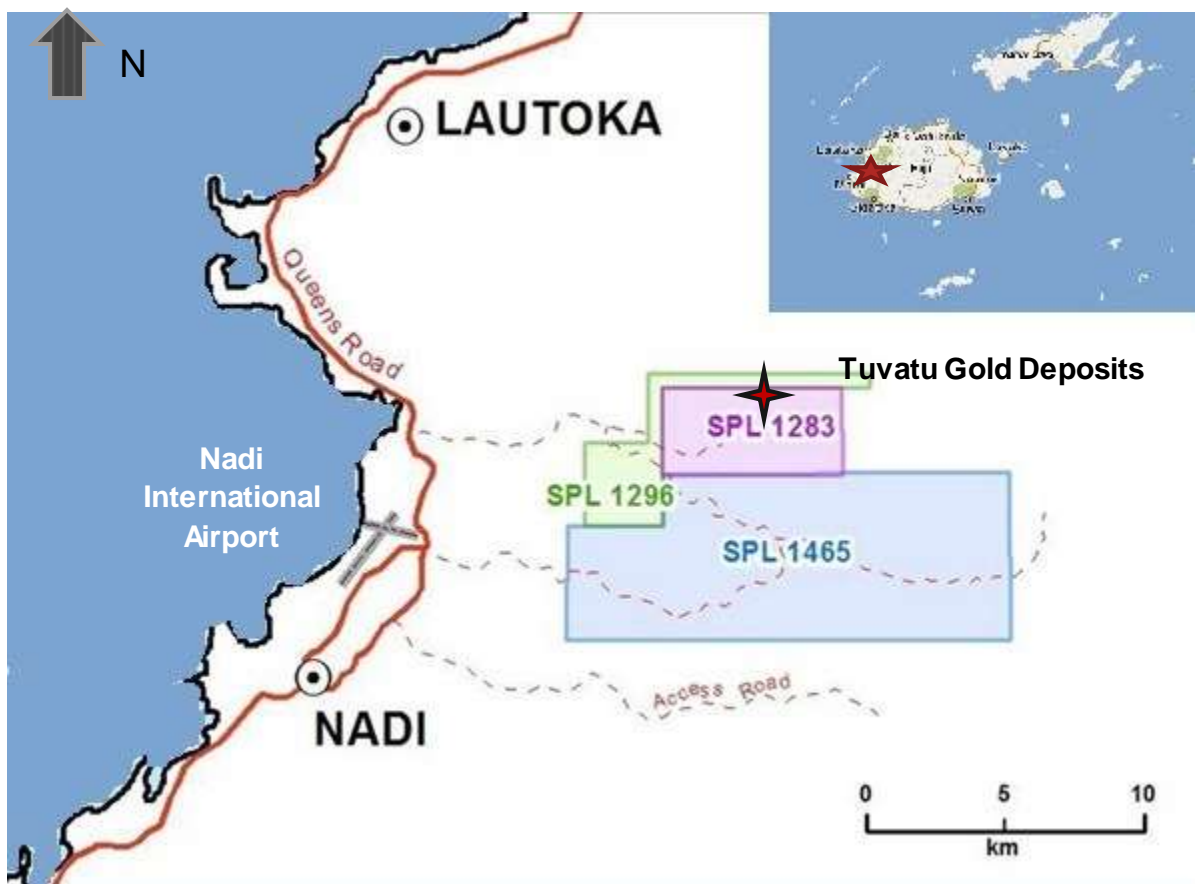
2.1 Property Description and Access

Lion One’s Tuvatu Project, comprising of three contiguous Special Prospecting Licences (SPLs) located within the South Pacific Ocean on the island of Viti Levu in the Republic of Fiji. The Tuvatu gold deposit which has been significantly explored by subsurface drilling from a 900 m decline that was developed to a depth of 240 m below surface is located within SPL 1283.

The Tuvatu Project is situated in the upper Sabeto valley. The upland areas of the Tuvatu Project are grassland. Several intermittent and perennial streams are located within the prospecting licenses. Local elevation ranges from 50 meters to a maximum of 700 meters. The area is hilly with common slopes varies between 15% - 30%.

The Tuvatu Project is located at approximately 24 km northeast of the town of Nadi and 15 km from Nadi International Airport, which is serviced by several Australian airlines. The project area can be easily accessed via the Sabeto access road passing through Korobebe village, and on to Navilawa village from the town of Nadi. The existing network of local roads and pastoral tracks provides good access to several parts of the project area except for a few days in the wet season which is from November to March.(Figure 2:1)

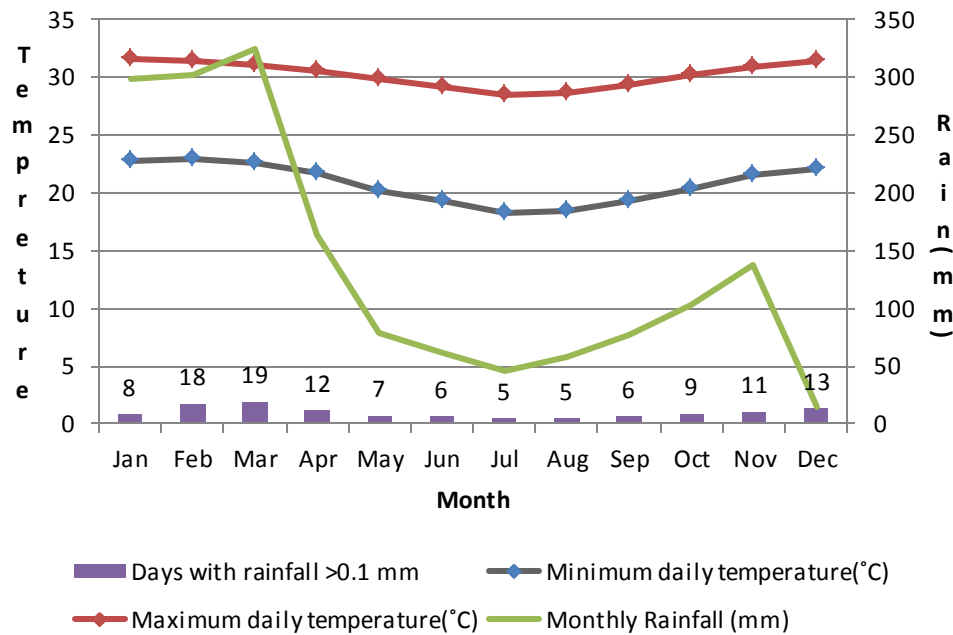
Figure 2:1 Project Location, Tuvatu Project



Source: Investor presentation- Lion One metals (Nov2012), Salva Resources

Tuvatu enjoys a tropical climate, with a distinct wet and dry season. Rainfall is not uncommon throughout the year, however rainfall tends to peak during the wet season between November to March. There is not much seasonal variation in temperature, with the minimum temperatures for Nadi ranging from 18 °C to 23°C while average maximum temperatures range from 28°C to 32°C (Figure 2:2). Mean rainfall in the area varies from 50 mm in July to high of 300-325mm during the month of January to March (Occasionally, rain with tropical cyclones).

Figure 2:2 Climate and Rainfall, Nadi, Fiji



Source: Fiji Meteorological service, Salva Resources

Some infrastructure exists within the local area close to the Tuvatu Project. The majority of regional infrastructure, such as transport, telecommunication and energy revolve around the nearby cities of Nadi and Lautoka. Being one of the largest cities on the island, Nadi is equipped with modern technology. The Tuvatu Project area has access of power supplied by Fiji Electricity Authority (FEA), whose 11 kV power line passing through Korobebe village, dissecting the project area.

Dominant land use in the region is pastoral and private farming. Major crop in this region are sugarcane, copra and rice. The fishing, manufacturing and tourist industries are also employers in the region. Any skilled workforce for a mining development in the region would be expected to be drawn from the coastal Nadi-Lautoka-Ba region.

2.2 Project History and Ownership

The historical Vatukoula Mine and surrounding tenements including Tuvatu Project was discovered by prospector Bill Borthwick in 1932. The Vatukoula mine was subsequently mined by three companies until in 1958, Emperor Gold Mines (“Emperor”) became sole operator of the Vatukoula Mine and held an exclusive interest in the surrounding mineral deposits including the Tuvatu Project which lies approximately 50 km’s southwest of the Vatukoula Mine, along the

same regional geological structure known as the Viti Levu Lineament. From 1983 to until 1991, the Vatukoula mine was operated intermittently through a joint venture between Emperor (80%) and Western Mining Corporation, Fiji (20%). In 1991, Emperor again took full ownership of the Vatukoula mine and surrounding tenements including Tuvatu Project, despite control of Emperor was passed to Durban Roodeport Deep Ltd. (“DRD”).

On March 27, 2007, DRD sold all of its Fiji assets, including the Vatukoula Mine (including the Tuvatu Project), to Westech Gold Pty Ltd (“Westech”) of Australia. The Tuvatu Project was held by a subsidiary of DRD, the Tuvatu Gold Mine Company (“TGM”). Westech was not able to finance the project on its own and eventually Red Lion Management Limited (“Red Lion”) stepped in and financed the project and obtained key concessions to the Vatukoula mine which included the interest in Tuvatu Project. Red Lion held these prospects through its subsidiary Viso Gero Global Inc. (“Viso Gero”).

The Vatukoula Mine was subsequently apportioned and sold by Red Lion to AIM-listed British company River Diamonds PLC (later renamed Vatukoula Gold Mines “VGM”), which by April 2008 controlled 100% of the mine. Red Lion and Westech retained the Tuvatu Project for nominal consideration and had the licenses to the Tuvatu Gold Project re-issued in the name of Lion One.

On September 18, 2008, American Eagle entered into a share purchase agreement with Laimes Global Inc., Brian Wesson and Amelia Wesson (the “Vendors”) whereby the Vendors agreed to sell to American Eagle all of the shares of Lion One in exchange for 7,300,000 American Eagle Shares at a deemed price of \$4.43 per American Eagle Share and the assumption of the debt of Lion One.

In November 2010, X-Tal Minerals Corp. (“X-Tal”) and American Eagle entered into a definitive Merger Agreement to complete a business combination in which the X-Tal acquired of the outstanding shares of American Eagle. Following the completion of this agreement, on 31st Jan 2011, the new entity began trading on TSX Venture Exchange (“TSX-V”) as Lion One Metals Limited.

Subject to Lion One satisfying specific conditions, including expenditure requirements and meeting certain technical milestones, it retains a 100% interest in the Tuvatu Gold Project (SPL1283, SPL 1296 and SPL1465). Salva has not independently verified the current ownership status and legal standing of the material tenements that comprises the Tuvatu Gold Project. Salva has relied on the legal advice, provided to Avocet and Lion One, which confirm that Lion One will retain 100% interest in the tenements provided that it complies with specific conditions including expenditure requirements, quarterly and annual reporting requirements, provision of certain bonds, landowner consultation and landowner consent to renewal. In relation to these conditions, Lion One has satisfied its current expenditure requirements and is in a position to satisfy its expenditure commitments going forward, has met and will continue to meet its reporting obligations, has paid the relevant bonds, and will conduct landowner consultation and anticipates that landowner consent and subsequent renewal of the tenements will be forthcoming. The tenements in Table 2.1 are due to expire on 30 June 2013, and applications for renewal are to be submitted 30 days prior to the expiry date. Provided that the applications for renewal are submitted within the required timeframe, the tenements are likely to be renewed as a matter of course.

The tenement schedule has been given below in Table 2:1.

Table 2:1 Tuvatu Gold Project Area

Special Prospecting License	Area (Ha)	Ownership*
SPL 1283, Tuvatu	1,951	100%
SPL 1296, Tuvatu	1,315	100%
SPL 1465, Nagado	8,900	100%

* Lion One will retain 100% ownership of the tenements provided that it complies with specific conditions relating to the tenements as discussed above.

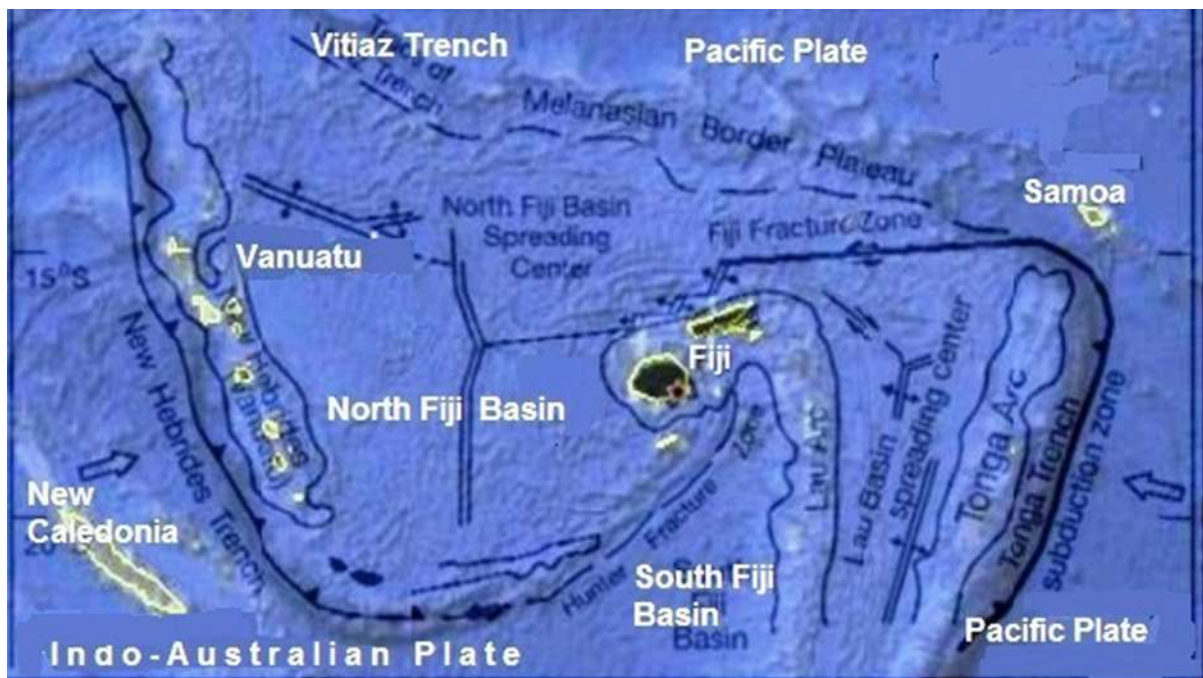
2.3 Geological Setting and Mineralisation

2.3.1 Regional Geology

Fiji, comprising of two large island, Viti Levu and Vanua Levu, and many small islands, lies within the boundary zone of the two large tectonic plate namely Indo-Australian and Pacific tectonic plates. These zones are marked by seafloor spreading, subduction and transform faulting.

The Fiji islands are located at the midpoint of the opposing Tonga Kermadec and New Hebrides convergence zones, separated from these actual convergence zones by two extensional back arc basins, the North Fiji Basin to the west and the Lau Basin to the east, and a series of transform faults including the Fiji Fracture Zone (Figure 2:3) and the Matthew Hunter Ridge (Approximately five million years ago (Miocene/Pliocene Period), the area was the site of a number of major shield volcanoes, active along a northeast - southwest trend and was controlled by the fracture zones. The east-northeast-trending Fiji fracture zone and the north east-trending Hunter fracture zone are active, major left-lateral transform zones. The Fiji fracture zone defines the northern boundary of the Fiji platform and the southern boundary of the Pacific plate.

Tuvatu, located on one of the large Fijian islands Viti Levu, and is one of several epithermal gold systems along the >250 km northeast trending Viti Levu lineament, which are genetically associated with alkaline magmatism.

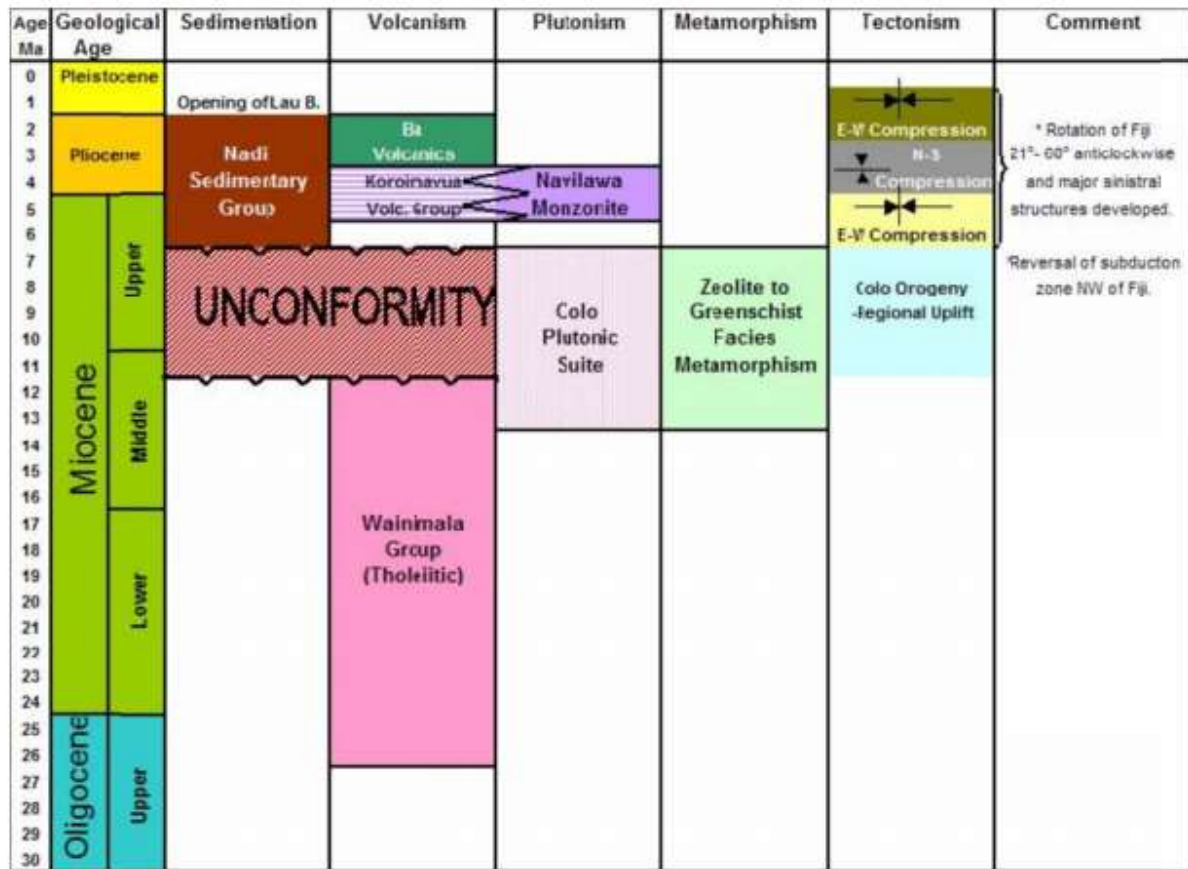
Figure 2:3 Tectonic Setting of Fiji

Source: Modified after Schebarth and Spry, 2006, Salva Resources

The regional stratigraphy of Fijian group of islands reflects the complex structure of an intra-plate boundary zone. The oldest rocks in Fiji belong to the Upper Eocene to Lower Oligocene (35-40 Ma) Yavanu Group (which are composed of extrusive and intrusive Tholeiitic rocks). The younger Upper Oligocene to Middle Miocene Wainimala Group overlies the Yavanu Group. During the middle to late Miocene, the Colo Orogeny created large-scale faulting and folding of the Wainimala Group, followed by a period of volcanism.

The regional geology of the deposit area is predominantly volcanic rocks and sediments from the orogenic volcanic period of the middle to late Miocene. The geological units present on the Viti Levu Island in relation to geological time scale have been presented in Figure 2:4 below.

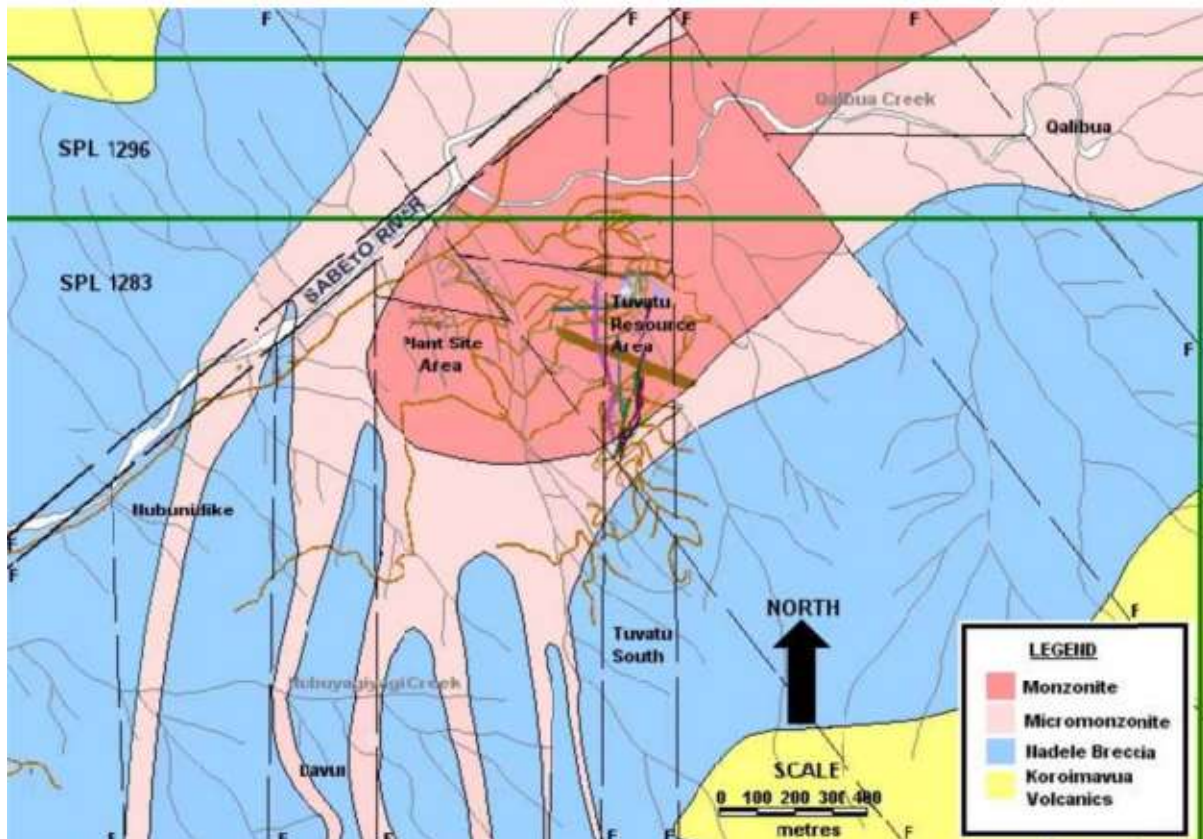
Figure 2:4 Geological Unit and Time Scale, Viti Levu, Fiji



Source: A-Izzeddin, 1999, NI 43-101 report for Tuvatu Project Fiji

2.3.2 Local Geology

The geology of the Tuvatu deposit is dominated by a sequence of volcanic units that have been intruded as monzonite intrusives representing the root of a caldera (Figure 2:5). The basal unit in the region is the Nadele Breccia, a member of the Late Oligocene-Middle Miocene Wainimala Group. The Nadele Breccia is volcanic in origin and consists of a sequence of massive, coarse, polymict breccia units interbedded with minor flows and sediments.

Figure 2:5 Local Geology, Tuvatu Project

Source: NI 43-101 report for Tuvatu Project Fiji

Basal units of the Sabeto Volcanics (part of the Late Miocene-Early Pliocene Koroimavua Volcanic Group) unconformably overlie the Nadele Breccia in the Sabeto Valley and include andesitic and biotitic bearing dacitic lithic and crystal tuffs, grits, agglomerates and minor flows. The volcanoclastic units have subsequently been intruded by a monzonite stock that has been dated at 4.85 Ma, and is interpreted to be co-magmatic with the volcanic units of the Koroimavua Volcanic Group.

Locally, the geology is structurally complex with the area cut by an east-west trending fault zone referred to as the Core Shed Fault. Additional structures include northwest trending structures that locally offset veins, as exemplified by the CABX structure.

2.3.3 Mineralisation

The mineralisation at Tuvatu is typical of epithermal deposits, being confined to narrow structures with little wall rock alteration with gold grades distributed irregularly along these narrow structures. Gold mineralisation is primarily hosted in monzonite but there are rare elevated gold grades in the volcanic units. The mineralisation is considered to have a magmatic source. The mineralised zone at Tuvatu is thought to have originally developed as a porphyry copper system which has subsequently been overprinted by epithermal gold mineralisation. A number of gold deposits have been historically discovered along this trend of volcanic centers which included historical mines of Vatukoula or Emperor Mine and Tuvatu (Figure 2:6).

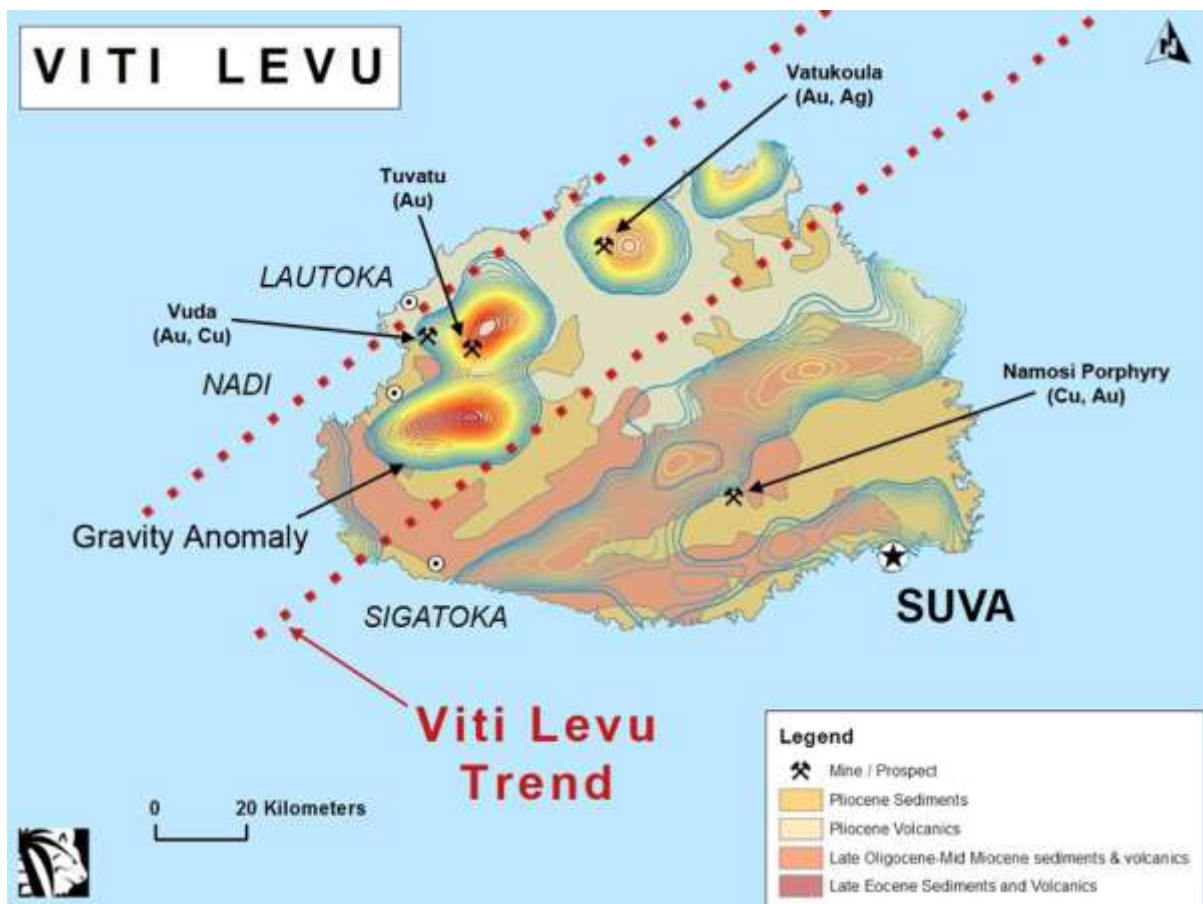
Mineralisation occurs as networks of narrow veins and cracks, with individual veins generally ranging from 1 to 200 mm wide within enclosing zones that can be up to 5 m in true width. It is these bundles of veins that are defined as the mineralized lodes. The individual lode structures can be traced for distances of 100 m to 600 m with continuity within the structure of mineralized zones for over 100 m. The lodes vary in width from 0.5 to 5.0 m with an average true width of 1.6 m. Very high grades may be encountered within individual structures within the lodes.

Some of the recent intersections are:

- Borehole number TUDDH-347; 3.78 m @ 16.15 g/t gold from 122 to 125.77 m;
- Borehole number TUDDH-348; 49 m @ 23.03 g/t gold from 155.05 to 162.54 m (including 0.11 m @ 855 g/t gold).
- Borehole number TUDDH-349; 11.9 m @ 11.77 g/t gold from 128.55 to 140 m (including 0.56 m @ 53.38 g/t gold, 0.18m @ 30.32 g/t gold).
- Borehole number TUDDH-341; 2.32m @ 62.81g/t gold from 148.54 to 150.8m (including 0.35m @ 420g/t gold)
- Borehole number TUDDH-350; 3.66m @ 15.68g/t gold from 142.00 to 145.66m (including 0.61m @ 49.70 g/t gold)
- Borehole number TUDDH-353; 3.41m @ 3.13g/t gold from 308.48m to 311.89m (including 0.65m @ 10.35 g/t gold)
- Borehole number TUDDH-356; 3.59m @ 15.43g/t gold from 89.70 to 93.29m

Note – the above intersections do not represent true widths of the mineralized zone. True widths can not be determined from the information and data currently available.

Figure 2:6 Viti Levu Volcanic Centres



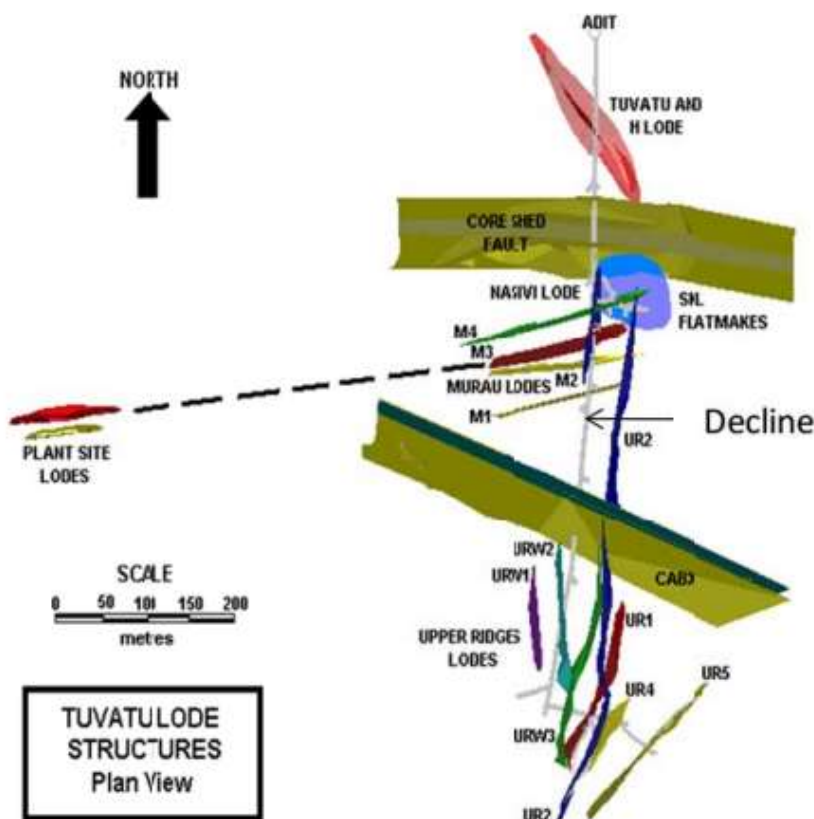
Source: Lion One

Mineralisation associated with the porphyry copper system is characterised by apatite, potassium feldspar, magnetite, biotitic veins with intense potassic alteration selvages. These veins are considered to have developed as the monzonite intrusive was in the final stages of crystallisation and early stages of cooling. As the system cooled it was overprinted by a phase of phyllic alteration which was characterised by a quartz-muscovite-pyrite assemblage. The system was then overprinted by a set of quartz-adularia veins accompanied by lesser amounts of calcite, chalcopyrite, pyrite, galena, tellurides and native gold. There is a close link at Tuvatu between local and regional structures, the emplacement of the Navilawa Monzonite, the development of the veins, and the deposition of mineralisation during two deformational events.

2.3.4 Tuvatu Underground Mine.

An underground exploration program comprising subsurface drilling of boreholes from the decline which was developed a depth of 250 m was conducted by Emperor from the year 1998 to 2000 (see Table 2:2 in next section for details). The subsurface drilling program was able to identify number of lodes, from which samples were generated and tested. Mineral resources present in the key eleven (11) lodes confined to the “Upper Ridges” area had already been modeled (Figure 2:7). Under the present exploration program (being conducted by Lion One), five (5) other lodes have also been included; 2 lodes in Murau Area and 3 lodes in West Area. Trial mining was also carried out to evaluate the continuity of structure and grade.

Figure 2:7 Mine Development Showing Mineralisation



Source: NI 43-101 report for Tuvatu Project Fiji

2.4 Historical Exploration and Mining

Historically, the Tuvatu region, in particular the upper reaches of Saberto valley has been actively explored for gold. The history of gold exploration in this region dates back to early 20th century when limited pitting and underground work was carried out by Baylet and Bryant from 1945 to 1952. Later Nadele Syndicate commenced geological work in this area and pitted two lodes along with an adit to conduct trenching work. From 1977 to 1979, the area was explored by Aquitane Fiji without much success. However, in 1987, Geopacific Ltd. (“Geopacific”) staked out SPL1283 and SPL1296 in the area and investigated the soil anomaly and discovered the outcrop of what is now called the Tuvatu deposit in the vicinity of the anomaly.

The brief exploration history for the Tuvatu Project has been presented below.

Table 2:2 Historical Exploration, Tuvatu Gold Project

Year	Company	Exploration
1987	Geopacific	Geopacific discovered Tuvatu. F\$1.5 million exploration expenditure through 1997 in partnership with Noranda Pty Ltd for a period of 3 years.
1992	Geopacific	John Tankard & Associates Pty. Limited Consulting Mining Engineers prepared a two-step 1992 mining plan for the steep dipping Tuvatu deposit and draft plans of a slot-cut mine and waste dumps.
1995	Geopacific	Geopacific entered into an option agreement with Emperor.
1996-Feb 1998	Emperor	Phase -1 Exploration program which consisted <ul style="list-style-type: none"> • Regional geological mapping • Stream sediment sampling • Induced polarization (“IP”) and • Airborne magnetic / radiometric geophysical surveys • Drilling both diamond and RC drill holes consists of 193 diamond drill holes (“DDH”) totalling 42,782.57 m and 44 reverse circulation (“RC”) drill holes totalling 5,225 m. Drilling delineated a mineralised area that extended over 800 m. Emperor completed 572.4 m of underground development. 17 underground DDH totalling 1,107.75 m. Metallurgical test work was conducted at the Vatukoula/ Emperor mine.
March- 1998 to March 1999	Emperor	Emperor carried out Phase II of its exploration program which focused on developing the decline to access the Upper Ridges lodes identified during the Phase 1. 768.5 m of development completed. 26 underground DDH totalling 1,374.2 m. A bulk sample of Upper Ridges mineralisation was tested at Vatukoula In January of 1999, resource consultants Geoval completed a historical resource estimate which outlined 19,000 t of Indicated Resources with a grade of 9.7 g/t Au and 1,161,000 t of Inferred Resources with a grade of 5.5 g/t Au.
Apr- 99 to Sep 99		Phase 3 of the project included underground and surface drilling and an upgrade of the historical resource. Detailed re-mapping of the underground work was undertaken to further understand the structural controls on mineralisation. 37 RC bore holes were advanced totalling

		4,040 m. 69 underground DDH totalling 10,925.8 m. A new mineralized zone was located 500 m west of the Property. The new historical resource was updated in July, 1999. While still non NI43-101 compliant, the historical resource outlined 19,300 t of Indicated Resources with a grade of 9.7 g/t Au and 964,000 t of Inferred Resource with a grade of 7.8 g/t Au. In September 1999, a 20 t bulk sample of mineralisation taken from along strike and development raises was sent to Vatukoula for column leach testing.
2000	Metcon	Work was suspended in late 2000 as a cost-cutting measure due to low gold prices. Mecton Laboratories enlisted to carry out additional metallurgical test work on composite samples from UR1, UR2 and UR5 lodes.
2001-2009	TGM/Lion One	Regional exploration was carried out by TGM. Work performed included mapping, stream sediment and soil sampling. Work identified 10 new prospects areas outside the Tuvatu mine/deposit area: 1) Nubunidike, 2) Ura Creek, 3) Kubu, 4)Jomaki, 5) Qalibua, 6) Malawai 7) Sawasawa East, 8) Tuvatu South, 9) Lukes and 10) Korobebe Detailed exploration by Emperor conducted on Nubunidike, Ura Creek, Jomaki, Malawai and Kubu. Rock chip sampling was followed up by trenching and channel sampling. Drilling was done by AER, through its Fijian subsidiary, Lion One.
Mar 2011	Lion One	Lion One reported its first sets of results of trenching program which comprise of excavation of trenches for a length of more than 1,000 m. Highlights include five samples returning grades over 100 g/t, including one selected sample that returned 1,715 g/t Au
Nov 2011	Lion One	Lion One discovers additional high grade surface stock work zones, and confirmation of sufficient porphyry-style mineralisation in drill core samples. Commencement of IP program.
March 2012 to Nov 12	Lion One	Lion One engaged mining services company Gekko Systems Pty. Ltd. of Ballarat, Australia, to conduct metallurgical test work on its Tuvatu Project on the island of Viti Levu, Fiji. Lion One shipped a 300 kg sample of drill core composites to Australia for comminution, gravity, and flotation test work. Results of the tests will indicate amenability to processing routes which may include gravity concentration, flotation, intensive or traditional leaching, and gravity recoverable gold. Lion One commenced its diamond drilling program in June 2012, and by end of 2012, fifteen diamond drill holes were completed, with a total of 3,003 meters of core recovered
Nov 2012	Lion One	Lion One commences an Environmental Impact Assessment ("EIA") for its Tuvatu Project. This will involve a filing of EIA, when completed, with Fiji's Mineral Resources Department (MRD) in conjunction with a mining license application for the Tuvatu Project. Lion One expects to file with

		MRD in Q2 2013
December 2012	Lion One	Result of metallurgical test on gold sample confirmed a recovery of gold from the standard flotation test up to 94%. For more detail please refer to Metallurgical test work section.

Source: NI 43-101 report for Tuvatu Project Fiji, Salva Resources, Lion One

2.4.1 Historical Magnetic and Radiometric Surveys

During September 1997, Emperor conducted an aeromagnetic survey over the area of the Tuvatu, Vuda and Kingston tenements. The results from this survey delineated several structural and lithological features of interest and imagery provided some useful information regarding lithology and structure in the regional context. The mapping of the generated imagery indicated the presence of magnetic highs in the Navilawa and Vuda area and a zone of intense magnetic low in the centre of Nadi sedimentary group. Several structural lineaments were also well delineated by the survey. A series of north-northeast and north-south trending structures were identified passing through the Tuvatu and Kingston prospect areas. Emperor geologists considered that these structures probably correspond to the structures which host the Upper Ridges and Nasivi lodes.

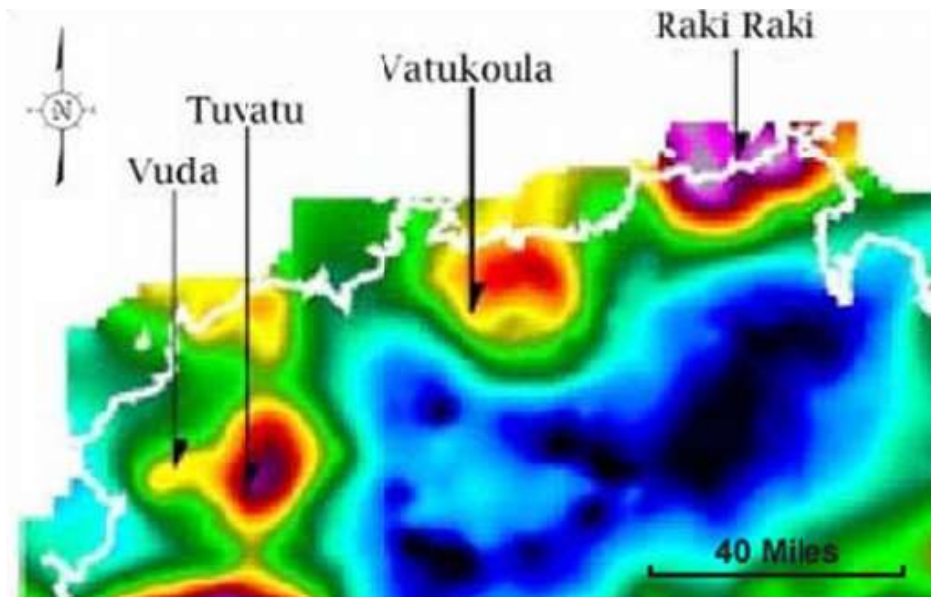
In addition to this, a series of east-west, northeast and northwest trending structures were identified. One of these northeast structures appears to separate members of the Nadi Sedimentary Group from members of the Sabeto Volcanics south of the Vuda prospect.

A time domain IP/resistivity survey was also conducted over the Tuvatu prospect in April, 1996 which highlighted several strong chargeability and resistivity anomalies within the prospect area warranting further test work.

2.4.2 Historical Gravity Survey

The available gravity map in the NI43-101 statement has been originally provided by the Metal Mining Agency of Japan and it is available from the Mineral Resource Department of Fiji. The image illustrates that the isolated gravity highs appear to be indicating the gravity effects of deep, dense, intrusions beneath the epithermal gold deposits (Figure 2:8). The isolated gravity highs associated with Tuvatu gold deposits have similar signature, physical dimension and structure associated with nearby Vatukoula (Emperor Mine) which produced approximately 7 million oz. to date.

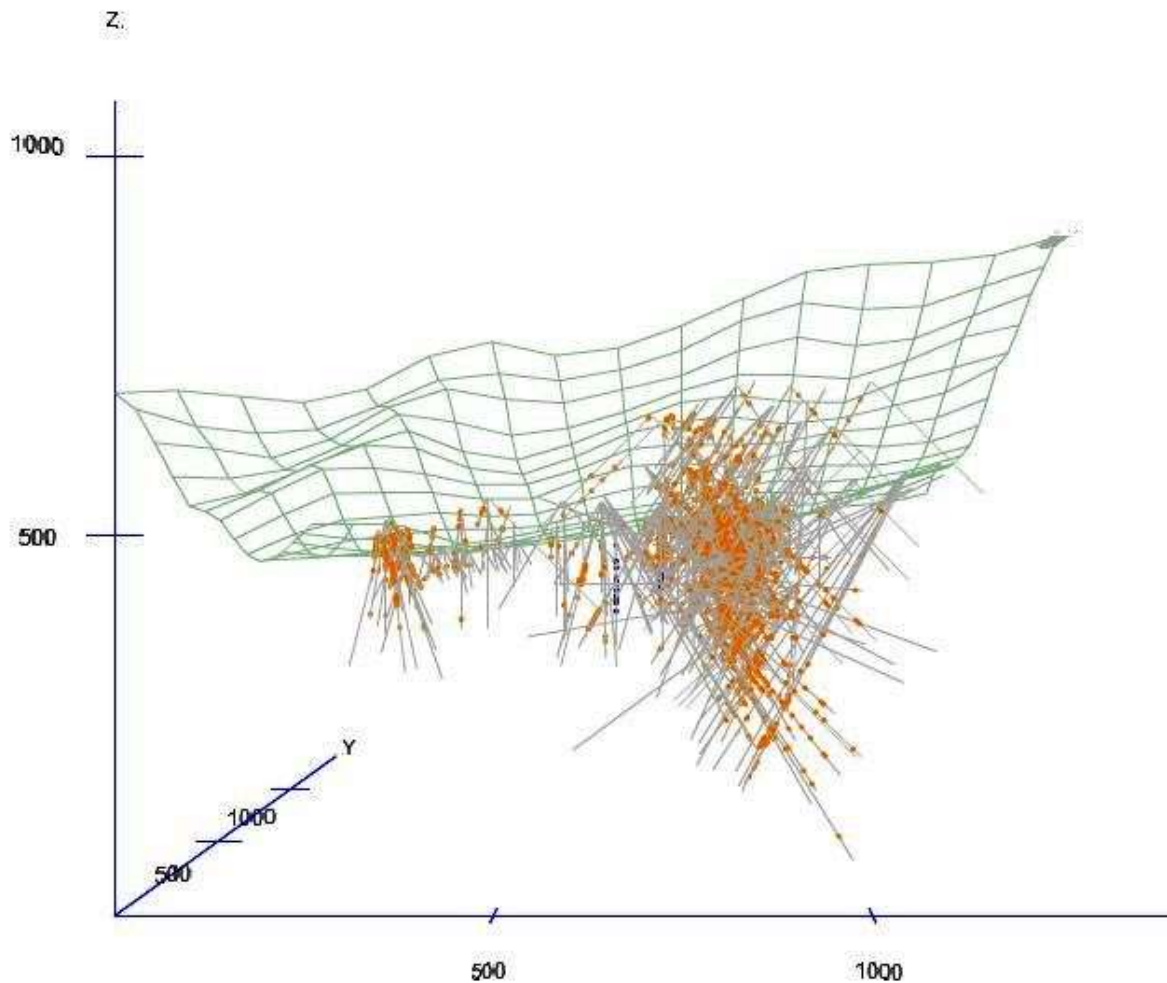
Figure 2:8 Gravity Survey, Tuvatu Project



Source: Mineral Resource Department Fiji, 1998, Lion One

2.4.3 Historical Drilling

Historical drilling was mainly carried out during the exploration program conducted by Emperor. This drilling included holes from the surface as well as sub surface work from the decline. At present, Lion One is carrying out an exploration program to upgrade the existing NI43-101 compliant Resources Report. As per Lion One's Corporate Presentation of November 2012, a total of 87,000 m of drilling has been completed in Tuvatu Gold Project which comprised of Diamond and RC boreholes drilled from surface and from decline. The 3D model depicting intersection of gold bearing zones has been shown in Figure 2:9.

Figure 2:9 3-D Model Showing Historical Drilling

Source: <http://www.liononemetals.com/s/3dmodel.asp> dated 25/01/2013

2.4.4 Historical Studies

To exploit gold from the Tuvatu gold mine, a preliminary techno-economic assessment was completed in 1997 by an Australian engineering firm Bateman Kinhill, which resulted in a preliminary design of an ore treatment plant with capacity between 0.6 Mtpa to 1.2 Mtpa of feed. The preliminary study was followed by an in house study in August 2000 which also identified a potential to develop a tailing dam site in Nagado with a capacity of 10 Mt.

This historical study has been superseded by the NI 43-101 Compliant Resource Estimate reported by Mr Fred H. Brown, MSc. (Eng), CPG, and Pr.Sci.Nat, a Qualified Person (Q.P.) under the regulations of NI-43-101, which was prepared for X-Tal Minerals Corp and effective from October 1, 2010.

2.4.5 Recent Exploration Programs by Lion One

The following summarises the recent exploration campaign conducted by Lion One (December 2010 to December 2012).

2010-2011

The key exploration activities for this program were limited to a surface sampling program which was followed by trenching work. The exploration program was targeted to collect representative samples from gold-bearing veins and veinlets near the portal of the Tuvatu exploration decline. The trenching program was carried out to test the extent and grades of gold mineralisation across and along the strike of Core Shed Fault (CSF), a 60 meter wide east west trending shear zone, traceable up to 5 km along strike (Figure 2:10). Apart from CSF, trenches were also dug into Tuvatu lode and H-lode. The trenching program included digging of trenches up to 2 m deep with an average of 1.5 m width. Several benches along road cuts were also sampled. Most samples were continuous or semi continuous chip samples with composite samples taken when necessary.

Figure 2:10 Trenching Program, Lion One

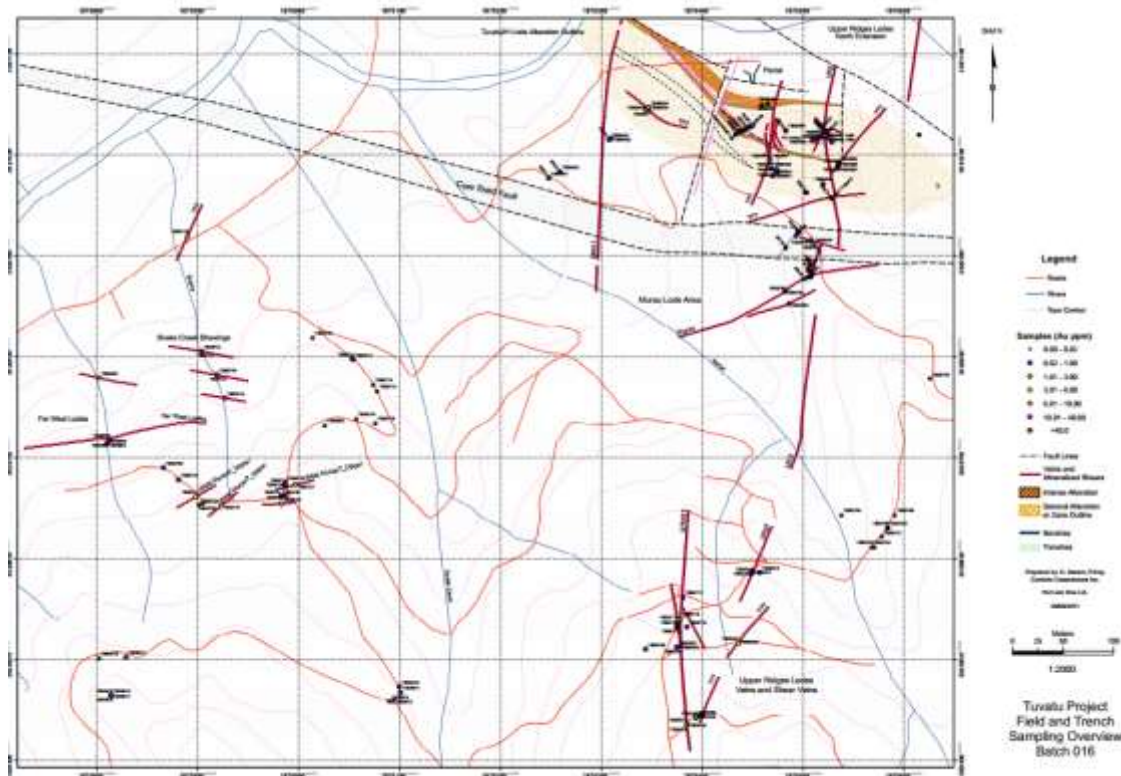


Source: Lion One

The surface sampling and mapping program (Figure 2:11) which covered less than half of the total surface expression of the Tuvatu resource, has confirmed the existence of zones of surface mineralisation with numerous samples grading in excess of 1.00 g/t Au

The analytical results from 187 rock samples taken from the 1,200 meters of trenching were received from Brisbane based Australian Laboratory Services (ALS) Pty Ltd. Of the 187 samples, 15 graded between 0.4 g/t Au and 1.0 g/t Au and 22 graded over 1.0 g/t Au. 79 of the 187 samples were from the 135 m long, Bench 5 West, where a broad zone of alteration and mineralisation up to 60 meters wide is exposed. Intervals grading 1.50 g/t Au across 20 meters, 1.19 g/t Au across 11 meters, 0.66 g/t Au across 7.5 meters and 0.68 g/t Au across 3.80 meters were exposed. These results indicated the existence of near surface lower grade oxide ore surrounding a high grade ore. On account of this favorable outcome, Lion One decided to re-log the core generated from historical drilling and commenced a campaign of re-sampling selected portions of the existing core.

Figure 2:11 Sampling and Trenching Program, Lion One



Source: Lion One

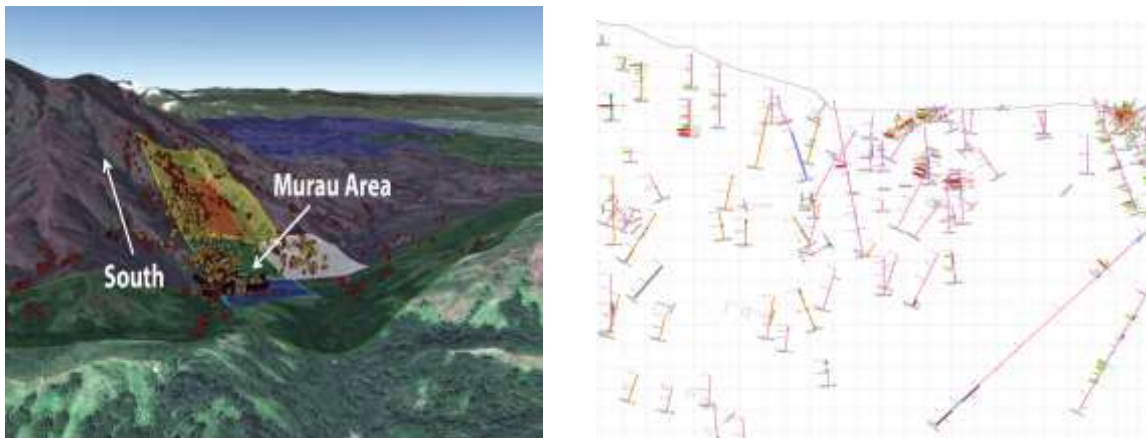
The results from the 2010-2011 trenching and drill core analysis programs confirmed coexisting porphyry and epithermal gold mineralisation. Most significant results were obtained from Trench 7, where coexisting porphyry and epithermal gold mineralisation averaging 3.96 g/t gold over 71 meters zone was found. In addition to this, Lion One also received positive results from some of the resampled historical drill core. These samples were also analysed at ALS.

The 2010-2011 exploration programs provided sufficient indication of significant upside potential for the expansion of the existing resource as the deposit and controls over mineralisation were better understood.

To commence the drilling program and increase the existing NI43-101 compliant resource base Lion One identified five key areas with the Murau Area as being the prime target, as this had the widest distribution and highest number and density of drill holes. Geologically the Murau Area is located immediately to the south of the known porphyry mineralisation of the First Porphyry Area, yet centered along the Nasivi Shear Zone, which is known to host significant epithermal gold mineralisation.

The Murau Area covers a surface area of 112,121 m² (300 x 373 m) and was drilled to a maximum depth of 200 meters. A total of 8,466 meters of drilling (142 holes, including 91 core holes) was carried out in the late 1990's (Figure 2:12).

Figure 2:12 Murau Area Profile and Drill Hole Section



Source: Lion One

In addition to this, Lion One completed (58) kilometers of its Induced Polarization ("IP") survey, and prepared additional lines to obtain further readings over other key areas with prospective chargeability and resistive anomalies. Additionally, Lion One also completed 36 out of 58 line kilometers of soil sampling across the survey grid area.

2012

Lion One commenced its diamond drilling program in June 2012, and by end of 2012, fifteen diamond drill holes were completed, with a total of 3,003 meters of core recovered (Figure 2:13). The drilling program targeted the western extension of the mineralised structure in Tuvatu area with the main objective of expanding the existing NI 43-101 Compliant Resource. Additionally, this work tests the additional targets and increasing the confidence level of existing resource base by drilling infill holes.

Figure 2:13 Lion One Exploration Program 2012



Source: Lion One

Initial results from some of the boreholes indicated presence of high grade mineralisation with significant intersection (Table 2:3).

Table 2:3 Results from Key Drill Holes

Drill Hole	From (m)	To (m)	Interval (m)	True Width (m)	Au (g/t)
TUDDH-349	112.86	116.62	3.76	0.58	4.12
Including	114.82	115.77	0.95	0.15	10.70
TUDDH-349	122.15	124.55	2.40	0.37	2.25
Including	123.41	123.55	0.14	0.02	10.85
TUDDH-349	128.55	140.45	11.90	1.83	11.77
Including	130.92	131.12	0.20	0.03	37.70
And	131.90	132.14	0.24	0.04	26.40
And	135.30	136.48	1.18	0.18	30.32
And	137.17	137.68	0.56	0.09	53.58
TUDDH347	61.24	62.24	1.0	0.96	0.52
	91.5	93.2	1.7	1.63	2.76
	103.82	105.1	1.28	0.85	1.74
TUDDH347	121.99	125.77	3.78	2.51	16.15
Including	124	124.09	0.09	0.06	248
	132.33	134.47	2.14	1.42	2.11
	145.1	147.1	2	1.33	0.68

TUDDH348	86.78	87.78	1	0.66	1.01
	149.69	149.85	0.16	0.11	47.1
	155.05	162.54	7.49	4.97	23.03
Includes	155.05	159.69	4.64	3.08	3.38
And	161.37	161.54	0.17	0.11	855
	167.3	167.86	0.56	0.37	4.57
	175.6	177.72	2.12	1.41	1.76
TUDDH 341	148.54	150.86	2.32	1.49	62.81**
TUDDH 341	149.50	149.85	0.35		420.0
TUDDH 350	12.20	13.65	1.45	1.03	1.24
TUDDH 350	78.99	81.51	2.55	1.80	22.56
includes	79.96	80.43	0.47		20.00
Includes	80.43	80.68	0.25		21.10
Includes	80.68	81.24	0.56		72.20
TUDDH 350	89.43	90.62	1.39	1.00	10.56
TUDDH 350	121.15	125.04	3.89	2.76	2.70
TUDDH 350	142.00	145.66	3.66	2.76	15.68
Including	143.84	144.55	0.61		49.70
TUDDH 350	182.00	184.00	2.00	1.42	1.23
TUDDH 350	248.60	250.60	2.00	1.42	2.58
TUDDH 352	33.47	35.04	1.57	1.11	3.83
TUDDH 352	53.36	54.30	0.94	0.67	1.56
TUDDH 352	295.05	296.16	1.11	0.79	1.05
TUDDH 352	306.70	307.97	1.27	0.83	1.00
TUDDH 353	308.48	311.89	3.41	2.18	3.13
Including	309.70	310.35	0.65		10.35
TUDDH 356	30.78	32.15	1.37	0.93	1.31
TUDDH 356	74.05	77.60	3.55	2.41	6.03
TUDDH 356	89.70	93.29	3.59	2.44	15.43

**includes 209g/t Ag, all results are uncut grades

Source: Lion One

Presence of gold in free form with very high grades has been seen in some of the drill holes (Figure 2:14). Lion One expects to increase its resource base through an on-going drilling program by extending the resources base and incorporating near to surface, low grade oxide resources. The inclusion of low grade oxides is expected to enhance cost economics of the project during initial period of development.

Figure 2:14 TUDDH-347 - free gold from 124.10 m's depth, 248g/t



Source: Lion One

In addition to this, Lion One also engaged an independent consultant approved by Fiji's Mineral Resources Department (MRD) to conduct an Environmental Impact Assessment (EIA) on the Tuvatu Project. The EIA will be conducted under the guidelines of Fiji's Environmental Management Act and its associated regulations, and will reference findings from a previous baseline study "Tuvatu Gold Mine Environmental Impact Assessment and Management Plan" published in 1997.

At the time of writing this report the EIA assessment work is under progress. Lion One will include this EIA assessment report with the mining licence application, which it expects to file with the MRD in Q2 2013.

2.5 Mineral Resource Estimate

2.5.1 Previous Resource Estimates

Four historical resources estimates have been prepared for the project; in 2000 by Emperor, in 2000 by Vigar, in 2005 again by Emperor and in 2010 by an independent technical report prepared by Mr. C.H. Lutherborrow. The former three reports used 11 mineralised lodes to estimate resource while the latter report used 17 mineralised lodes and three stockwork domains with individual cap values for each lode to estimate resource.

2.5.2 Resource Estimation- 2010

In 2010 P&E Mining Consultants Inc. reassessed and validated the historical data provided by Lion One and presented a mineral resource estimation prepared in accordance with the Canadian Securities Administrators' National Instrument 43-101 standard. The mineral resource modelling and estimation were carried out using GEMS Gemcom v5.23 and Snowden Supervisor v7.10.11 software programs.

The Tuvatu Gold Project had been delineated by trenching and drilling from surface and underground. The mineral resource estimate is based on historical exploration data up to 2001. The data set consisted of 607 records from diamond and RC drilling, trenching and pits. The data set included 38,557 Au assays. Bulk density was set at 2.83 g/t based on 171 measurements on drill core.

The mineral resource estimate was based on 17 identified lodes resulting in 17 distinct mineralisation structures created by digitizing polylines along parallel sections 10 m apart. The polylines were defined by the selection of higher grade assays within the lode outlines modelled by Lutherborrow (2010), with assumed continuity along strike and down dip. In some cases low-grade mineralisation was also included within the polyline boundaries for the purpose of maintaining continuity. A secondary stockwork iso-shell based on a 3.00 g/t Au threshold was then modelled around the defined mineralisation structures. All mineral resources defined by the iso-shell were classified as Inferred. An eighteen metre weathered zone and an additional twelve meters of oxidized material associated with trenching and surface RC drillholes at Tuvatu has been reported by Tankard (1993) and Vigar (2000). In order to account for near-surface oxide material, a lower oxide limit was assumed at 30 m below the topographic surface. All mineral resources above this limit were classified as Inferred.

Assay sample length varied between 0.01 m and 6.00 m with an average of 0.81 m. The assays were composited at 1m length down-hole and length-weighted. Missing sample intervals were assigned a grade of 0.001 g/t, which is a tenth of the assay detection limit. A top cut of 40 g/t, corresponding to the 99.16th percentile of the composite samples, was applied to the data. All samples above this threshold, was given the threshold value.

A block model was prepared for each modelled mineralisation structure. Each block model consisted of separate folders for estimated grade, block percent, block density and block classification attributes. Block size was set at X10m – Y10m – Z10m. Due to the complex nature of the mineralisation, variography was inconclusive and block grades were thus estimated using Inverse Distance Cubed (ID3) linear weighting of capped composite values. Indicated values were estimated from a first pass of search ellipsoids of 35m x 35m x 10m, with their axis aligned along the general orientation of the mineralized structure. Inferred values were estimated from a

second pass of search ellipsoids of 300m x 300 x 30m, with their axis aligned along the general orientation of the mineralised structure.

The Indicated mineral resource estimate was classified according to confidence in the mineralisation model, the data density and confidence in supporting data and is reported at a 2.00 g/t Au cut-off value. Confidence in the estimate of the Inferred mineral resources is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability worthy of public disclosure. The P&E Mining Consultants Inc. NI 43-101 compliant mineral resources estimates has presented in Table 2:4. P&E states the current Indicated resource estimate for the Tuvatu Gold Project as 0.76Mt @ 7.05 g/t Au for 172,000 ounces of gold and an Inferred total resource estimate as 2.618Mt @ 5.71 g/t for 480,000 ounces of gold using a 2 g/t cut-off value. In Salva’s opinion, the NI 43-101 standard for Inferred and Indicated Resource estimation is acceptable for the purpose of resource reporting under the JORC Code.

Table 2:4 NI 43-101 Resource Estimate (@ 2g/t Au cut off grade)

Category	Resource					
	Indicated Resource			Inferred Resource		
	kt	Grade(g/t)	Au (koz.)	kt	Grade(g/t)	Au (koz.)
Sulphides	760	7.05	172	2,502	5.78	465
Oxides	0	0	0	116	4.15	15
Total	760	7.05	172	2,618	5.71	480

Source: NI 43-101 report for Tuvatu Project Fiji

The block model was validated visually by the inspection of successive section lines in order to confirm that the block model correctly reflected the distribution of high-grade and low-grade samples. Visual validation of the block estimates combined with observed differences in the summary statistics suggested that the impact of high-grade samples on the mineral resource estimate would need to be further evaluated when moving forward. A validation check for global bias was completed by comparing the modelled block estimates to a nearest neighbour block estimate generated using the same search criteria and tabulated at a nominal zero grade cut-off within the constraining domain. Results demonstrated a minimal global bias and were deemed suitable for mineral resource estimation.

To demonstrate the economic sensitivity of the deposit the total estimated sulphide only mineral resource was also tabulated relative to cut-off grades of 1.0 g/t Au and 3.0 g/t Au. Total estimated mineral resources at a 1.0 g/t cut-off are comprised of an Indicated Au mineral resource of 189,000 ounces and an Inferred Au mineral resource of 551,000 ounces. Total estimated mineral resources at a 3.0 g/t cut-off are comprised of an Indicated Au mineral resource of 158,000 ounces and an Inferred Au mineral resource of 400,000 ounces (Table 2:5).

Table 2:5 Estimated Resources at various Cut off grades

Sulphides	Indicated Resource			Inferred Resource		
	kt	Grade(g/t)	Au (koz.)	kt	Grade(g/t)	Au (koz.)
3.00 g/t cut-off	572	8.57	158	1,682	7.39	400
2.00 g/t cut-off	760	7.05	172	2,502	5.78	465
1.00 g/t cut-off	1,118	5.26	189	4,382	3.91	551

Source: NI 43-101 report for Tuvatu Project Fiji

The information in this Report that relates to Exploration results for Tuvatu Gold Project is based on information compiled by or under the supervision or reviewed by Mr. Darcy Krohman, P. Geo, Consultant to Lion One Metals Limited, who has sufficient experience that is relevant to the styles of mineralisation under consideration and to the activity which he is undertaking to qualify as a Qualified Person as defined in National Instrument 43-101 Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (NI-43-101). Mr Krohman, consents to the inclusion in this Report of the Information, in the form and context in which it appears.

The information in this Report that relates to Mineral Resources for Tuvatu Gold Project is based on information compiled by, or under the supervision of, or reviewed by, Mr Eugene Puritch, P. Eng, and Mr Fred Brown, MSc. (Eng). Mr Puritch and Mr Brown have sufficient experience that is relevant to the styles of mineralisation under consideration and to the activity being undertaken to qualify as Qualified Persons under the meaning of NI 43-101 and are Competent Persons as defined in the JORC Code. Mr Puritch and Mr Brown consent to inclusion in this Report, of the information in the form and context in which it appears.

2.6 Metallurgical Test Work

During 1997-2000, Emperor carried out the metallurgical test work on Tuvatu, which included test work and analysis by Metcon Laboratories in Sydney, comminution by Amdel Laboratories in Adelaide, engineering studies and evaluation by Bateman Engineering Pty Ltd in Brisbane ("Bateman"), and various additional studies. Once design parameters were fixed, Bateman developed a process flow sheet which included a single stage crushing by Jaw crusher, a SAG mill and ball mill, gravity and flotation concentration, followed by CIL cyanide leaching. This flow sheet was chosen over a gravity/direct CIL route, since Bateman projected a combined recovery from gravity and flotation concentration of 94%, greater than the recovery obtained by gravity and direct leaching. The significantly smaller leach circuits were envisaged which enabled it to use less cyanide as only concentrates obtained from floatation circuit were supposed to be leached, which amounted only about 15% of the ore.

In 2012, Lion One engaged Gekko System Pty. Ltd. ("Gekko") of Ballarat, Australia to confirm and add to its understanding of the earlier test work. The results obtained from the Gekko test work confirmed that a significant portion of gold in the host rock are in the free form or contained in the quartz or pyrite making it amenable to floatation. Gekko's Continuous Gravity Recovery ("CGR") tests recovered 43.1% of the gold, much of which was in the fine size fractions. Gekko's Gravity Recoverable Gold ("GRG") tests recovered 40.6% of the gold, more of which was in the coarser size fractions. Gold recovery with the combination of gravity and floatation processed ranged up to 94%. Additionally Gekko also modified crushing and grinding circuit by replacing sag mill by conventional cone crusher and two stage ball milling circuit. This was followed with a flash floatation test and a battery of tests using gravity concentration, including the use of an in line pressure gravity jig along with additional gravity applications at a number of points in the process for the recovery of coarse and fine gold.

In summary, metallurgical tests conducted by Gekko indicated a conventional crushing by Jaw and Cone crusher, two-stage ball milling and three points of gravity concentration in the crushing and milling circuits, followed by conventional flotation and CIL leaching or direct sale of concentrates will produce optimum recoveries.

2.7 Project Valuation

2.7.1 Valuation Approaches

There are number of recognised methods used in valuing mineral assets. The applicability of these methods depends on several project specific factors including the level of maturity of the mineral assets and the availability and reliability of the information about the project.

In determining the appropriate valuation method(s) to be used for Lion One’s Tuvatu mineral assets, Salva has taken into consideration the classification of these assets as defined in the VALMIN Code and the different methodologies that are generally accepted as industry practice for each classification. Generally there are three broad methods of valuation that are used for valuing mineral assets. These are the cost approach, income approach and market approach and each is more suitable for the relevant status of the exploration or mining project from grass roots exploration through to operating mine. The asset classifications that may be applied to the Tuvatu Gold Project tenements are set out in Table 2:6 below.

Table 2:6 Typical Valuation Methods

Classification	General Description	Valuation Methods
Exploration Areas	Properties where mineralisation may or may not have been identified, but a Resource has not been identified	Rule of Thumb, Geo-scientific method, Comparable Transactions
Advanced Exploration Areas	Properties where considerable exploration has been undertaken and specific targets identified. Resource estimation may or may not have been made. Good understanding of mineralisation present	Geo-scientific method, Appraised Value Method, Comparable Transactions
Pre-development Projects	Properties where mineral resources have been identified but decision to proceed with development not made. Includes properties held on retention titles	The above methods and DCF/NPV valuation

Source: VALMIN CODE, 2005

A summary of each of these methodologies is outlined in Appendix A.

Considering the significant exploration history of Tuvatu Gold Project, it can be classified as an advanced exploration project. The valuation approach that is generally adopted for advanced stage exploration areas are generally defined as inferential methods that rely on comparative or subjective inputs such as a rule of thumb or appraised value method. These include the estimated metal content and a value of the metal derived from recent transactions. Typically, such a method values the property in \$/Metal unit. The value would be discounted by any specific site factors as well as the status of the resource classification. Salva considers that this valuation approach is appropriate for the Tuvatu Gold Project which may be considered as an advanced exploration area.

The understanding of the geology of the mineral deposit, structure and defined resources places the project area in the Advanced Exploration or Pre-development classification phase. A large range of valuation methods are recognised for this status with some requiring a degree of subjective estimation. All have been used by valuation practitioners and usually a combination of methods is used as cross checks to the reasonableness of the input assumptions.

For the valuation of the Tuvatu mineral deposit Salva has used a combination of two methods due to the uncertainties attached to advancing the project despite its comprehensive resource estimate. The valuation methods applied include: Comparable Transactions; and an Appraised Value based on past and forecast exploration expenditure with an appropriate multiplier applied to these expenditures.

The valuation of the identified mineral areas is a “rule of thumb” methodology where comparative sales are compared on a value per contained metal unit. Fair market value is usually the technical value plus a premium or discount to account for market, strategic considerations and special purposes. Salva has therefore assessed a range of values based on the methodologies used, which is a technical value, and applied a premium due to the tenement’s location and market potential, particularly with respect to the mineral qualities.

2.7.2 Valuation based on Market Comparable

To determine the fair market value for the resources of the Tuvatu Gold Project, Salva has reviewed recent comparable transactions (occurred during past three years) involving gold assets in the Asia-Pacific region. Salva considered transactions involving projects that have a resource estimate compliant with international reporting codes. These filters resulted in identifying twenty two (22) transactions as broadly relevant to the valuation of this project. These transactions have been summarised in Table 2:7 below.

Table 2:7 Comparable Market Transactions to the Tuvatu Gold Project

Date Announced	Property	Seller	Buyer	Interest %	Transaction Value (\$)	Resource (oz.)	Transaction Value (\$/oz.)	Prevailing Gold Price (\$/oz.)	Transaction Normalised \$/oz.
11-Oct-11	Firetower Gold Project	Greatland Gold plc.	Unity Mining Limited	75%	7,700,000	90,048	114.0	1,673.00	109.4
12-Aug-11	Rothsay Gold Project	Silver Lake Resources Ltd	Auricup Resources Pty Ltd	100%	12,000,000	132,913	90.3	1,680.50	86.2
8-Dec-11	Barlee Gold Resources	Beacon Minerals Ltd	Ramelius Resources Ltd	80%	4,000,000	74,000	67.6	1,673.20	64.8
9-Feb-12	Vivien Gold Deposit	Gold Fields Limited	Ramelius Resources Limited	100%	10,000,000	154,507	64.7	1,615.50	64.3
9-Aug-12	McPhillamys Gold Project	New Mouth Exploration & Alkane Resources	Regis Resources Limited	100%	150,000,000	2,500,000	60.0	1,527.90	63.0
23-Jun-11	Weerianna Gold Project	Unknown Company or Entity	Artemis Resources Limited	80%	3,070,000	70,200	54.7	1,454.60	60.3
5-Dec-11	Eureka Gold Mine	Central Iron Ore Limited	Greenstone Minerals Pty Ltd	100%	4,000,000	64,206	62.3	1,694.90	59.0
19-Oct-11	Camel Creek Gold Project	Northwest Resources Limited	Millennium Minerals Limited	50%	1,250,000	46,576	53.7	1,608.50	53.6

13-Mar-12	Mt Jewell Gold Project	Pioneer Resources Limited	Carrick Gold Limited	100%	8,000,000	185,561	43.1	1,606.50	43.1
10-Aug-11	Boorara Gold Project	Polymetals Mining Limited	MacPhersons Reward Gold Limited	100%	3,000,000	84,543	35.5	1,725.40	33.0
5-Mar-12	Mt Hope Gold Project	Central West Gold N.L.	Fisher Resources Pty Ltd	70%	600,000	29,633	28.9	1,595.00	29.1
9-Jan-12	Coogee Gold Deposit	Terrain Minerals Limited	Ramelius Resources Limited	100%	900,000	34,875	25.8	1,580.20	26.2
31-Aug-11	Mt Martin Gold Mine	Australian Mines Limited	Alacer Gold Corporation	100%	7,500,000	275,787	27.2	1,710.40	25.5
25-Jan-12	Gecko Gold Deposit	Gekogold Pty Ltd	Auzex Resources Limited, GGG Resources plc.	100%	3,200,000	145,450	22.0	1,579.00	22.4
27-Sep-11	Coogee Gold Deposit	Terrain Minerals Limited	Colton Resources Ltd	100%	750,000	34,875	21.5	1,665.70	20.7
11-Jan-12	Mt Gibson Gold Operation	Legend Mining Limited	Extension Hill Pty Limited	100%	8,400,000	559,003	15.0	1,591.50	15.2
17-Aug-12	Mt Henry Gold Project	Matsa Resources Limited	Panoramic Resources Limited	70%	14,380,000	1,459,178	14.1	1,548.20	14.6
10-Jan-12	Drew Hill Gold Project	Exco Resources Limited	Polymetals Mining Limited	50%	1,300,000	188,809	13.8	1,584.70	13.9

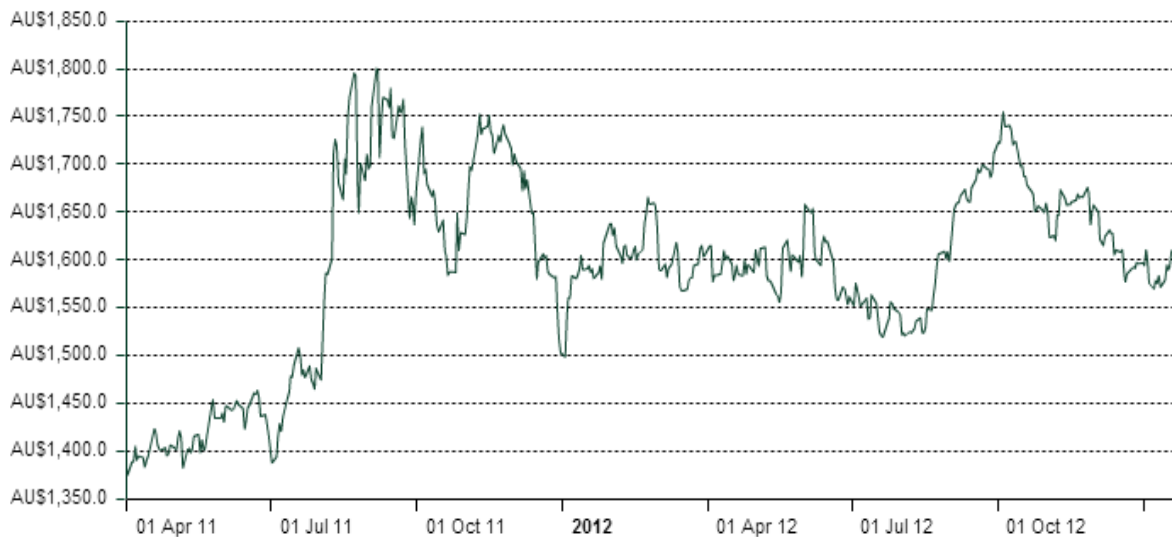
21-Nov-11	Mt Gibson Gold Operation	Legend Mining Limited	Top Iron Pty Ltd	100%	8,400,000	559,003	15.0	1,729.70	13.9
31-Oct-11	Red Dam Gold Deposit	Carbine Resources Limited	Phoenix Gold Limited	100%	1,940,000	147,320	13.2	1,626.10	13.0
20-Dec-12	Bundarra Gold Project	SR Mining Pty Ltd	Bligh Resources	42.9%	1,400,000	318,000	10.3	1,576.10	10.5
22-Dec-11	Halls Creek Gold Project	Northern Star Resources Ltd	Bulletin Resources Limited	100%	200,000	33,450	6.0	1,587.50	6.0
Average (\$/oz.)									38.5
Median (\$/oz.)									27.7

Source: Company Announcements

Note: 1: Normalised implied value is calculated on the basis of quoted gold price in AUD (Source: World Gold Council as on 21st Dec, 2012)

Considering the variable and upward trending gold price over the analysis period (Figure 2:15), and to compare transactions at the similar gold prices, Salva has opted to normalise transaction value based on gold prices at the day when the transactions were announced. These were normalised to 21 December 2012 (day of the Lion One & Avocet transaction announcement to the ASX which was released by the ASX on 24th December, 2012). The normalised transaction values have been indicated in Table 2:7.

Figure 2:15 Spot Price of Gold



Currencies: AUD

Weight: oz

Source: World Gold Council.

An analysis of comparable transactions reveals that the acquisition of Firetower Gold Project by Unity Mining Limited appears to be upper outlier while the acquisition of Halls Creek Gold Project by Northern Star can be considered as bottom outlier (\$109.4/oz. and \$6.0/oz. respectively) as majority of the transactions have occurred between normalised value of \$70 to \$20/oz.

Considering the high prospectivity of the Tuvatu Gold Project and the recent encouraging exploration results, along with some existing underground development, Salva considers that the implied value of the project lies between \$40/oz. to \$70/oz. with a preferred value of \$55/oz. This variation was selected to be consistent with the level of accuracy that typically might be attributed to Indicated & Inferred resources and properties at this stage of development.

The opted values are based on

- lower value – Midpoint between median and upper quadrant value
- upper value – Midpoint of upper quadrant
- preferred value – the average of the range between its lower and upper values.

A summary of Salva’s market based valuation for the Tuvatu Gold Project owned by Lion One is presented in Table 2:8 below.

Table 2:8 Market based valuation of Tuvatu Gold Project, Fiji

Item	Contained Gold oz.	Market value (\$)		
		Lower	Higher	Preferred
Tuvatu Project	480,000	\$40/oz.	\$70/oz.	\$55/oz.
Total (Tuvatu, 100%) \$ Million		19.2	33.6	26.4

Source: Salva Resources

2.7.3 Valuation based on Appraised Value Method

The cost approach or Appraised Value method is founded on the assumption that the intrinsic value of the exploration tenement is based on its exploration potential. This includes the amount of expenditure that has been meaningfully used in the past to define a target or resource and the future costs in advancing the exploration to next stage. A prospectivity enhancement multiplier is applied to the exploration expenditure, usually limited to the past three years, current year and immediate next year, and is based on the overall attractiveness of the exploration area for progressing to a reserves status. The multiplier ranges from 0.5 to 5.0 (see Appendix A for details).

Based on the information supplied by Lion One, quarterly reports and minimum committed exploration expenditure on tenements comprising the Tuvatu Gold Project, the effective exploration expenditure is shown in Table 2:9. These exploration expenses (quoted in CAD) have been converted to Australian dollars (\$) at an exchange rate prevailing at the time.

Table 2:9 Tuvatu Gold Project, Exploration Expenditure

Financial Year	Amount in CAD	Amount in A\$
FY 2008-2009*	830,349	889,115
FY 2009-2010*	559,254	620,772
FY 2010-2011	1,293,163	1,241,436
FY 2011-2012	2,796,297	2,684,445
FY 2012- 2013 - Current Year Projected**	3,333,400	3,200,064
Total	8,813,063	8,635,833

Source: Lion One Annual report 2011-12, X-Tal mineral Annual report 2009-10, NI43-101 report Tuvatu Gold, www.xe.com

Note: * taken from NI43-101 report effective date October 1, 2010

** Based on minimum committed expenditure mentioned in Lion One's annual report 2011-2012

Salva has applied a prospectivity enhancement multiplier (adopted from Lawrence/Minval/PEM schema) of 2.5 to 3.5 based on the fact that existing data consists of historical exploration records and pre-feasibility study, partial development of the underground mine and the recent exploration results are sufficiently encouraging to warrant further exploration on numerous defined targets.

Therefore for the Appraised Value Method a possible value of \$4.69 to 7.04 million is attributed as shown in Table 2:10 below.

Table 2:10 Appraised Value- Tuvatu Gold Project

Exploration Expenditure \$ million			Base Value \$ million	Enhancement Multiplier		Value (\$ million)		
Prior	FY-12	FY13 P		Lower	Higher	Lower	Higher	Preferred
2.75	2.68	3.20	8.64	2.5	3.5	21.6	30.2	25.9

Source: Salva Resources

2.7.4 Valuation Summary

In forming its opinion of the fair market value of the Tuvatu Gold Project, Salva has taken guidance from the appraised valuation method and comparable transactions. In consideration of comparable transactions, the current market, locality and technical and strategic factors which Salva has assessed to have an impact on the development of the tenement, Salva has derived a valuation range for 100% of the Tuvatu Project of between \$20.4 million and \$31.9 million with a preferred value of \$26.2 million.

A summary of Salva’s valuation of the Tuvatu Project is presented in Table 2:11 below.

Table 2:11 Valuation Summary, Tuvatu Gold Project, Fiji

Approach	Method	Values (\$ Million)		
		Low	High	Preferred
Cost-based	Appraised Valuation	21.6	30.2	25.9
Market-based	Market Comparable	19.2	33.6	26.4
Tuvatu Project (100% Equity) – Selected Valuation		20.4	31.9	26.2

Source Salva Resources

3 Avocet Resources

3.1 Ashburton Uranium Project

3.1.1 Location and Tenure

The Ashburton Uranium Project is one of the most advanced exploration projects held by Avocet in Western Australia. It consists of sixteen (16) tenements covering an area of around 1600 km². These tenements are located at a distance of approximately 100 km south east to the mining town of Paraburdoo.

Tenements within the project area are partly accessible. The main access is via a well maintained unsealed road from the highway to Turee Creek Homestead and then via station track of variable qualities. Access to some parts of the project area is very difficult (Figure 3.1).

Avocet envisages developing these project by way of joint venture arrangement. The whole set of tenements present in the Ashburton area have been discussed below.

The Ashburton Uranium Project comprises of 13 tenements (“Ashburton JV Project”) covering an area of around 1,100km² in JV with Cameco Australia Pty Ltd, (the Australian subsidiary of the Canadian based Cameco Corporation Ltd) along with 3 tenements wholly owned by Avocet and not part of the JV arrangements with Cameco. The tenement details as available from Department of Mines and Petroleum website, dated 29/1/2013 are given below in Table 3:1. Salva has not independently verified the tenement status and relied on the information provided by Allion Legal to Avocet (see page 8 of this Report for further details).

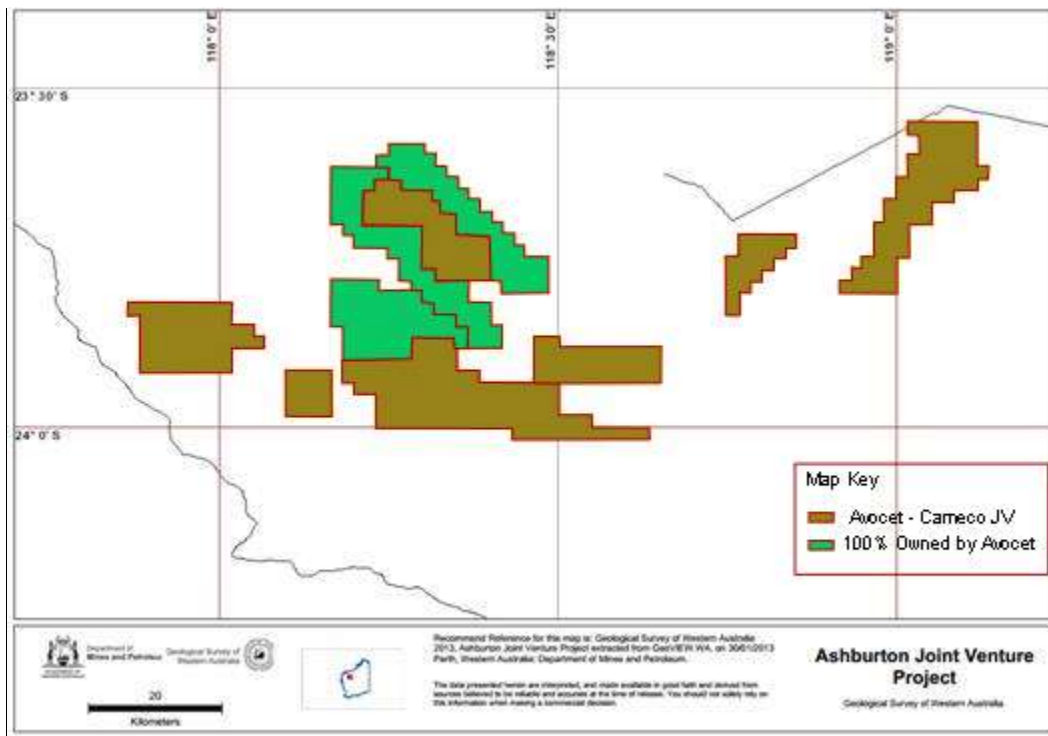
Table 3:1 Tenements Schedule, Ashburton Uranium project

Tenement number	Grant Date	End Date	No of Blocks	Total Area (km2)	Tenement Holder
E 52/1879	9/20/2005	9/19/2014	16	50.4	Avocet
E 52/1880	9/20/2005	9/19/2014	35	110.3	Avocet
E 52/2032	6/26/2008	6/25/2013	70	220.5	Avocet
E 52/1893	11/03/2005	11/02/2014	27	85.1	Avocet
E 52/2446	10/07/2009	10/06/2014	6	18.9	Avocet
E 52/2447	10/07/2009	10/06/2014	5	15.8	Avocet
E 52/2448	10/07/2009	10/06/2014	1	3.2	Avocet
E 52/2449	10/07/2009	10/06/2014	1	3.2	Avocet
E 52/2450	10/07/2009	10/06/2014	10	31.5	Avocet
E 52/1914	16/02/2006	15/02/2013	20	63.0	Cameco
E 52/1915	16/02/2006	15/02/2013	54	170.1	Cameco
E 52/1916	16/02/2006	15/02/2013	53	166.9	Cameco
E 52/1917	16/02/2006	15/02/2013	58	182.7	Cameco
Ashburton JV Project (50% equity)			221	1121.4	
Ashburton Project, Avocet's Wholly Owned Tenements					
E 52/2698	7/08/2011	7/07/2016	56	176.4	Avocet
E 52/2767	4/17/2012	4/16/2017	62	195.3	Avocet
E 52/2125	11/04/2008	11/03/2013	49	154.4	Avocet
Avocet Wholly Owned Tenements			117	526.1	

Source: Allion Legal, Department of Mines and Petroleum, Government of Western Australia

Figure 3:1 shows the location of the tenements.

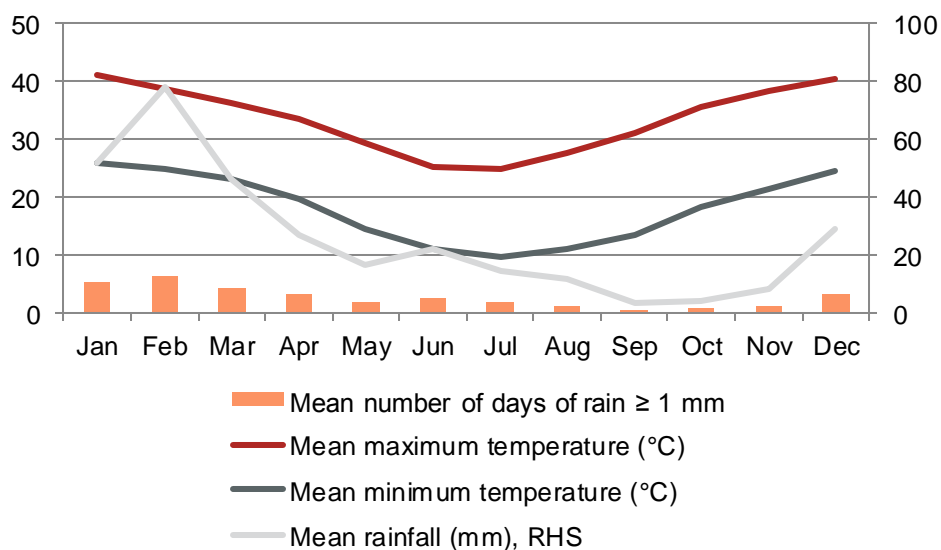
Figure 3:1 Ashburton Uranium Project



Source: Department of Mines and Petroleum, Government of Western Australia, Salva Resources

The project area has mostly arid to semi-arid climate. The rainfall mainly occurs in during the period of December to March with February receiving maximum precipitation. The average rain fall varies between 25-30 mm. Mean minimum and maximum temperatures range from 26°C to 42°C in January and 9° to 24°C in July (Figure 3:2).

Figure 3:2 Climate, Paraburdoo

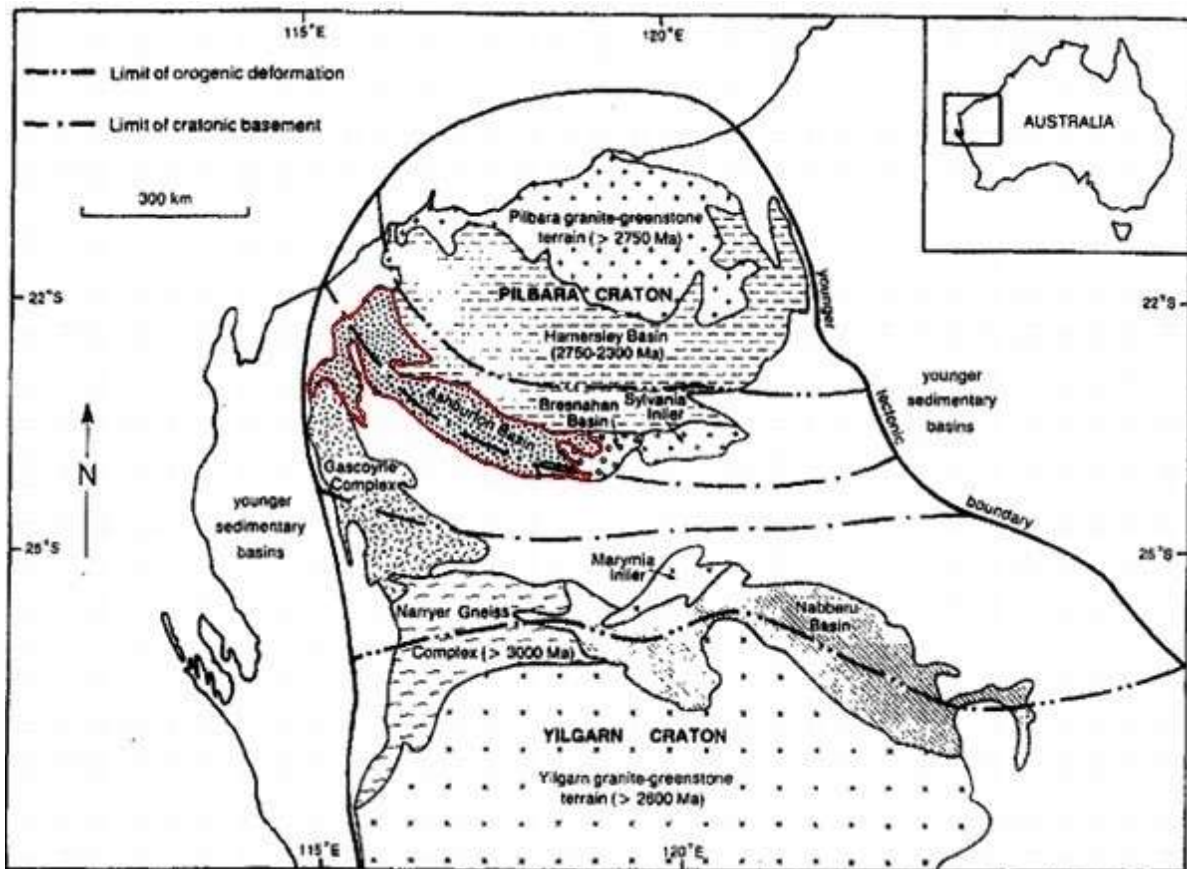


Source: Bureau of Meteorology, Government of Australia, Salva Resources

3.1.2 Geological Settings

The Ashburton Uranium Project is located in the Ashburton Basin (highlighted in red in Figure 3:3) which falls within the margins of Pilbara Craton. They cover the contact zone between the Lower Proterozoic Ashburton Trough and the Mid Proterozoic Bresnahan Basin. Ashburton Basin has been the subject of a major study by Thorne and Seymour. Rocks deposited within the Ashburton basin comprise the ca 2000 Ma old Wyloo Group, the Lower Proterozoic basement (see Table 3:2), that overlies rocks of Hamersley Basin with both angular unconformities in Turee Creek Syncline and Hardy Syncline area (Trendall, 1979). The Wyloo group records a change from terrestrial and shallow marine to deep water sedimentation.

Figure 3:3 Map showing Ashburton Basin in the main Tectonic Units of WA



Source: I. M Tyler and A.M. Thome, Northern Margin of Capricorn Orogen, Western Australia

Tectonic unit consists of Pilbara Craton, Yilgarn Craton & Capricorn Orogen

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 principle 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.

Table 3:2 Regional Stratigraphy

Basin	Group	Formation
Blair Basin		Capricorn Formation
Unconformity		
Ashburton Basin (Ca 2000 Ma)	Wyloo Group	Ashburton Formation
		June Hill Volcanics
		Duck Creek Dolomite
		Mouth McGrath Formation
Unconformity		
		Cheela Springs Basalt
		Beasley River Quartzite
Unconformity		
Hamersley Basin (2750-2300 Ma)	Turee Creek Group	
	Hamersley Group	Boolgeeda Iron Formation
Woongarra Volcanics		
Weeli Wollli Formation		
Brockman Iron Formation		
Mount McRae Shale		
Mount Sylvia Formation		
Wittenoom Dolomite		
Marra Mamba Iron Formation		
	Fortescue Group	Jeerinah Formation
		Mount Jope Volcanics
		Hardey Sand Stone
		Mount Roe Basalt
Unconformity		
Granite- Greenstone Terrain (>2750 Ma)		

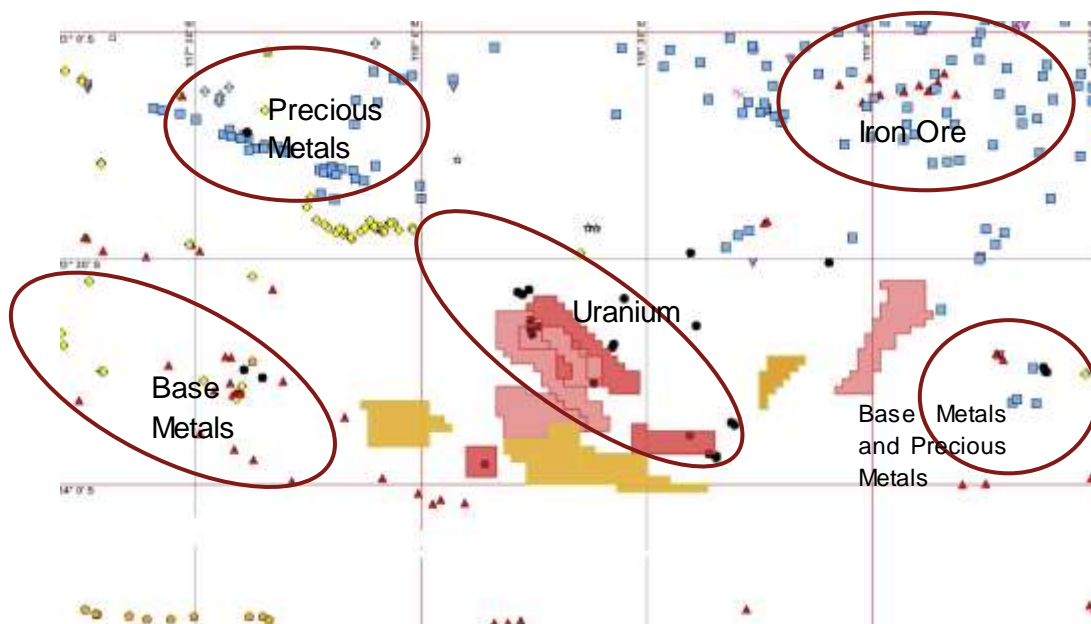
Source: I. M Tyler and A.M. Thome, Northern Margin of Capricorn Orogen, Western Australia

3.1.3 Recent Exploration

Until 2010-11, the exploration activities in the Ashburton Uranium Project were focused on assessing the uranium and rare earth elements potential only (Figure 3:4).

Historically, this region was explored for unconformity-related basement-hosted uranium in the late 1970's and the first half of the 1980's. Since then, systematic exploration for that type of deposit in the region has stopped. Regions in the vicinity of the Ashburton Uranium Project are historically explored for base metals and gold by companies like Giralia Resources NL (1995) and Newcrest Mining Limited (1999-2000). The exploration activities included analysis of historical chip and grab sample results, Surface geochemical sampling and RAB drilling.

Figure 3:4 Key prospects, Paraburdoo Region

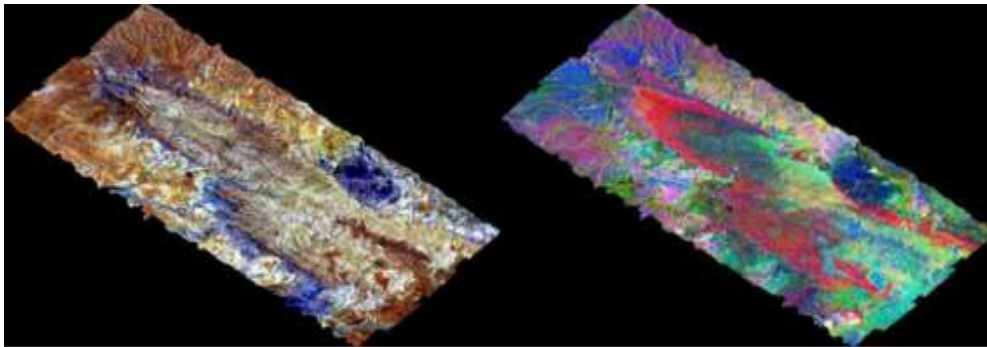


Source: Department of Mines and Petroleum, Government of Western Australia, Salva Resources

Recent Exploration by Avocet

During FY 2010-11, Avocet (as U3O8), completed rock chip and soil sampling programs in the key tenements located within the Ashburton Uranium Project. In addition to this, an airborne electromagnetic survey and airborne Hyperspectral survey of all tenements covering the Ashburton Uranium Project, targeting uranium as a key element was undertaken. The favorable results from the electromagnetic and Hyperspectral Survey provided significant additional information in relation to key minerals present in the entire region. One of the data sets generated from the survey has been depicted in Figure 3:5 covering an extensive outcrop of Bresnahan Sandstone. The Figure 3:5 demonstrates a variety of reflection pattern in the relatively homogeneous geological unit.

Figure 3:5 HyMap Hyperspectral Data



The image above shows an overview colour complex (left) and reflection data identifying specific mineral assemblages

Source: Avocet

During 2010-11, Avocet completed a helicopter supported regional geochemical sampling program on the tenements comprising Ashburton Uranium Project. As a part of exploration program, a total of 66 rock samples and 53 stream samples were collected. These samples were collected from the key outcropping Wyloo Group basement, as well as from sandstone outcrop within the Bresnahan Group. The collected samples were analyzed and assayed for REE elements.

The results obtained from the sampling program confirmed the presence of Uranium along with base metal (Ni, Zn, and Pb) and precious metals (Au and Ag). Based on the result of the sampling program, Avocet identified key prospects with significant uranium and rare earth potential within the Ashburton Uranium Project for the purpose of a diamond and RC drilling program. These prospects were Peacock West Prospect, Livanto Prospect, Nose Prospect, Bend Prospect, Atlantis prospect (RC drilling), Ristretto prospect & Anomaly 22 (Diamond drilling). Selected samples from the three deeper diamond bore holes drilled at Ristretto Prospect & Anomaly 22 were analysed by Hylogging system. The Hylogging data is an analysis of the visible, near infrared and short wavelength infrared reflectance spectre and identifies the alteration mineralogy which may be associated with general alteration assemblages and specifically uranium mineralisation. Figure 3:6 below depicts the obtained drill core with various colours representing different alteration type.

Figure 3:6 Hylogging data from Drill Core at Ristretto



Source: Avocet

3.1.4 Valuation

On the basis of geological evidences and results of the historical exploration program conducted by Avocet, Salva believes that Ashburton Uranium Project (Ashburton JV Project tenements along with Avocet's wholly owned tenements) are prospective for Uranium and hence Salva has opted to value these tenements on the basis of market comparable for Uranium projects.

Salva has reviewed recent comparable transactions and partial acquisitions involving Australian Uranium projects with similar prospectivity and similar exploration history. These filters resulted in Salva identifying 21 transactions to establish the recent market for assets considered broadly comparable to the Ashburton Uranium Project. These market transactions have been presented in Table 3:3 below.

Table 3:3 Comparable Transaction, Ashburton Project

Date	Project	Buyer	Seller	Location	Interest	Area (km ²)	Consideration	Asset Value / km ²
Oct-12	Spinifex uranium Project	Resource Star	Thundelarra Exploration	WA	100%	119	5 M equity Share	1,714
Nov-11	Rundall East	Marmota Energy	Teck Australia Pty Ltd	WA	51%	2736	A \$ 1 M expenditure over 3 years and 0.5 million Marmota Shares	738
Nov-11	Pine Creek, West Arnhem, Arunta and Tanami Tenements	Eclipse Uranium	Central Energy Pty	NT	100%	17428	35 million Eclipse Uranium Share	141
Jun-11	Allambi Tenement- NT	Pakar Resources NL	Excelsior Gold Limited	NT	70%	702	0.25 M shares, A \$ 20,328 as rent payment, and A \$ 0.4 M expenditure over 3 years	967
May-11	Mt Phillips, Hector Bore, Stanley, Nabberu, Hyden	China Coal Geology	Unknown	WA	60%	3088	A \$ 2 M for equity interest, with an option of increasing by 20% by investing further 0.75 M over 3 years	1,079
Oct-10	Tropicana Belt	Sirius Resources	Mr Mark Creasy	WA	70%	2300	A\$ 2.76 M in form of equity	1,714
Sep-10	Punt Hill	Monax Mining	Antofagasta Plc.	SA	70%	1278	Antofagasta obtained the option to earn a staged 70% interest in the Punt Hill project by spending US\$9.00 M on exploration over more than four years.	11,200
Aug-10	Wynbring	Fission Energy	Marmota Energy	SA	100%	435	Cash consideration of A\$1 M and 500,000 shares	2,300
Aug-10	West Lake Frome	Cauldron Energy	Uranium Equities,	SA	80%	2263	A\$5 M in exploration over 5 years	2,600

Aug-10	Stuart Shelf	Uranium Exploration Australia	Straits Resources	SA	70%	3314	A\$10 M in exploration over 7 years	4,300
May-10	Lakes	Cameco	Red Metal	SA	51%	2204	A\$16 M in exploration over 6 years	15,500
Feb-10	Waterford	China Yunnan Copper	Carpentaria Exploration	Qld	100%	317	A \$ 2000 cash	63
Oct-09	3 exploration Licenses	Resource Star	Jupiter Mines	NT	100%	317	A \$ 5000 cash	16
Oct-09	Mundong Well	Artemis Resources	KTL Technology	WA	80%	127	A \$ 400,000 cash	3,937
Oct-09	Gardner Range Project	Northern Uranium Ltd	Manhattan Corporation Ltd	WA	60%	550	A \$ 1.25 M in exploration	3,182
Sep-09	Yalanda JV	Southern Uranium	Adelaide Resource	SA	20%	758	Southern Uranium can acquire additional 20% by spending A\$ 0.25 M over 2 years	1,649
Sep-09	Birrindudu	Toro Energy	Unknown	NT	50%	1535	4 diamond drill-holes and expend a minimum \$1 M in exploration expenditure	1,300
Jul-09	Murphy Project	JOGMEC	Bondi Mining	NT	51%	9056	A \$ 3 M on exploration over 3 years	650
Nov-09	Lake Way	Toro Energy	Liberty Resource	WA	100%	144	A\$1 M	6,900
Jun-09	Ponton North	Deep Yellow	Uranio	WA	30%	525	A\$150,00 cash	1,000
Feb-09	NT Project	Aldershot Resources	Royal Resources	NT	60%	590	A\$0.3 M in exploration expenditure over 3 years	850
Average								2,943
Median								1,649

Salva notes that the implied value (\$/km²) of the tenements located in Western Australia are generally valued higher than those in Northern Territory but less than tenements located in the highly prospective region of South Australia. Considering this, Salva has opted to filter the exploration projects indicated above on the basis of location and considered only comparable transaction involving tenements located in Western Australia only.

Salva also notes that the size of the tenement has impact on the implied value (\$/km²) of the tenements. Considering this, Salva opted to filter the transaction on the basis of area of the project and considered transactions of early stage uranium project with size more than 500 km².

Salva considers the Ashburton Uranium Project to be comparable with projects within the second lowest quadrant of comparable projects (projects of size more than 500km² in Western Australia). Salva's preferred implied value (\$/km²) for Ashburton Uranium Project is \$909/km². The upper and lower value for the Ashburton Uranium Project has been estimated as preferred value as plus-minus 30% respectively. This valuation was selected to be consistent with the accuracy that might be attributed to mineral property at this stage of development.

The valuation summary of the Ashburton Uranium Project has been shown in Table 3:4.

Table 3:4 Valuation Summary – Ashburton Uranium Project

Project	Tenement Size (km ²)	Selected value (\$/ km ²)			Project value (\$ million)		
		Low	High	Preferred	Low	High	Preferred
Ashburton Uranium Project	1,647	636	1,182	909	1.05	1.95	1.50
Avocet equity Share*					0.69	1.28	0.98

** Salva has valued Avocet equity share based on the weighted equity across various tenements (including Avocet's wholly owned tenements) in the Project based on tenement sizes*

3.2 Saltwater Pool JV Gold Project

3.2.1 Location and Tenure

The Saltwater Pool JV Project is jointly being developed by Avocet (earlier listed as U3O8 Limited) and Thundelarra Exploration Limited (“Thundelarra”) as per the Joint Venture Heads of Agreement which was executed on 31st March 2011. Of the three tenements, one tenement (E52/1940), is currently held 100% by Thundelarra, whilst the other two tenements (E52/1890, E52/1892), are held by Cullen Resources Limited (“Cullen”) in agreement with Thundelarra. Avocet can earn 51% equity in each tenement by spending a combined total of \$1.1 million over a three year period. The tenement details as available from Department of Mines and Petroleum website, dated 29/1/2013 are given below in Table 3:5.

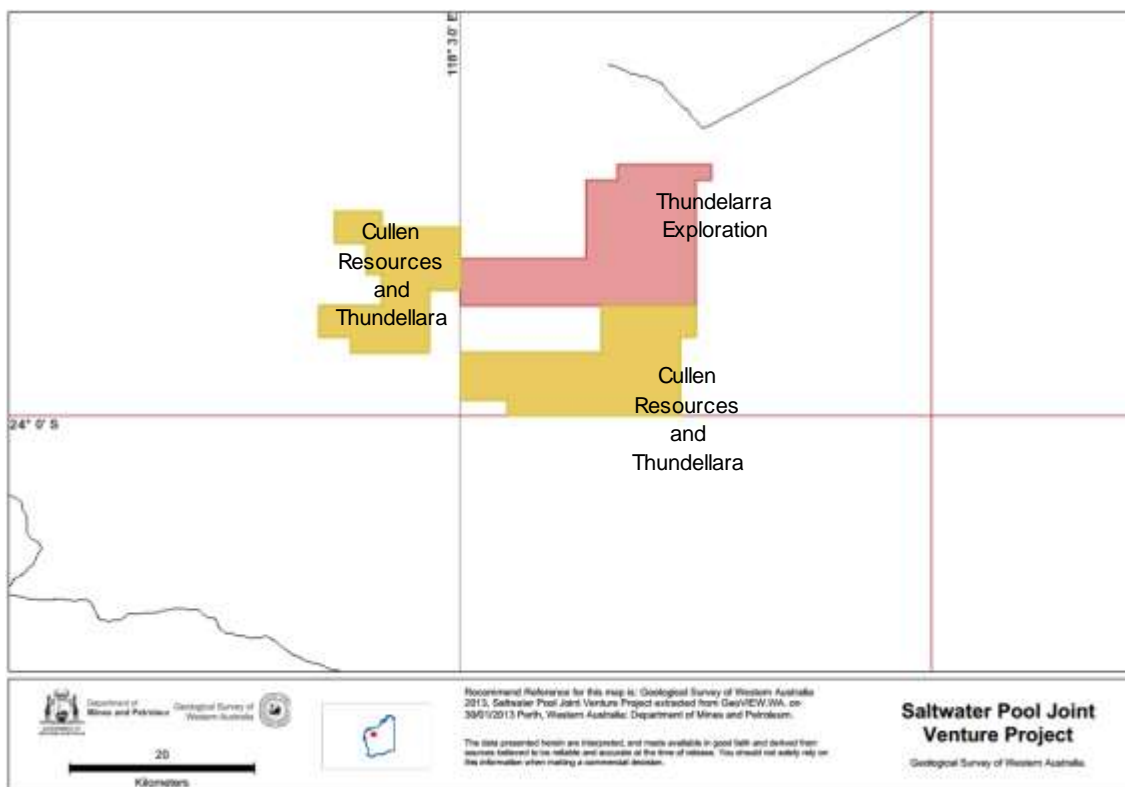
Table 3:5 Tenement Schedule, Saltwater Pool JV Project

Tenement number	Grant Date	End Date	No of Blocks	Total Area (km2)	Holder's Name
E 52/1940	1/05/2009	1/04/2014	86	270.9	Thundelarra Exploration Limited
E 52/1890	9/11/2008	9/10/2013	70	220.5	Cullen Exploration Pty Ltd
E 52/1892	1/05/2009	1/01/2014	50	157.5	Cullen Exploration Pty Ltd
			206	648.9	

Source: Department of Mines and Petroleum, Government of Western Australia

Figure 3:7 shows the location of the Saltwater Pool JV Project. Saltwater Pool JV Project is located in close proximity to the Avocet’s Ashburton Uranium Project.

Figure 3:7 Saltwater Pool JV Gold Project



Source: Department of Mines and Petroleum, Government of Western Australia, Salva Resources

3.2.2 Recent Exploration

The tenements containing the Saltwater Pool JV Gold Project are prospective for precious metals, base metals and Uranium. In 2011, Avocet conducted an initial reconnaissance program on the project area and recognized ferruginous quartz veins over considerable distances. Several samples were collected from these veins and analysed. The sample collected from the main quartz vein indicated multiple mineralising phases for gold and silver. The prospect covering main quartz vein had been named as Monster. Avocet collected additional sample from the Monster prospect and confirmed the presence of gold and silver in these tenements. One of the collected samples indicated an exceptional high grade of 1660g/t Ag, 8.49g/t gold and 1830ppm copper (Figure 3:8)

Figure 3:8 Rock Chip Sampling Results, Saltwater Pool JV



Some of the significant rock chip sample results have been summarised in Table 3:6.

Table 3:6 Key Results from Initial Rock Sampling Program

Sample ID	Coordinates		Au (g/t)	Ag (g/t)
1978	637790	7357790	2.02	110
1979	637790	7357790	0.02	20
1980	637790	7357790	0.04	5.34
1985	637780	7357800	0.3	26.6
1986	637780	7357800	6.73	41.2
1987	637780	7357800	0.02	34.8
2100	637770	7357820	8.49	1660

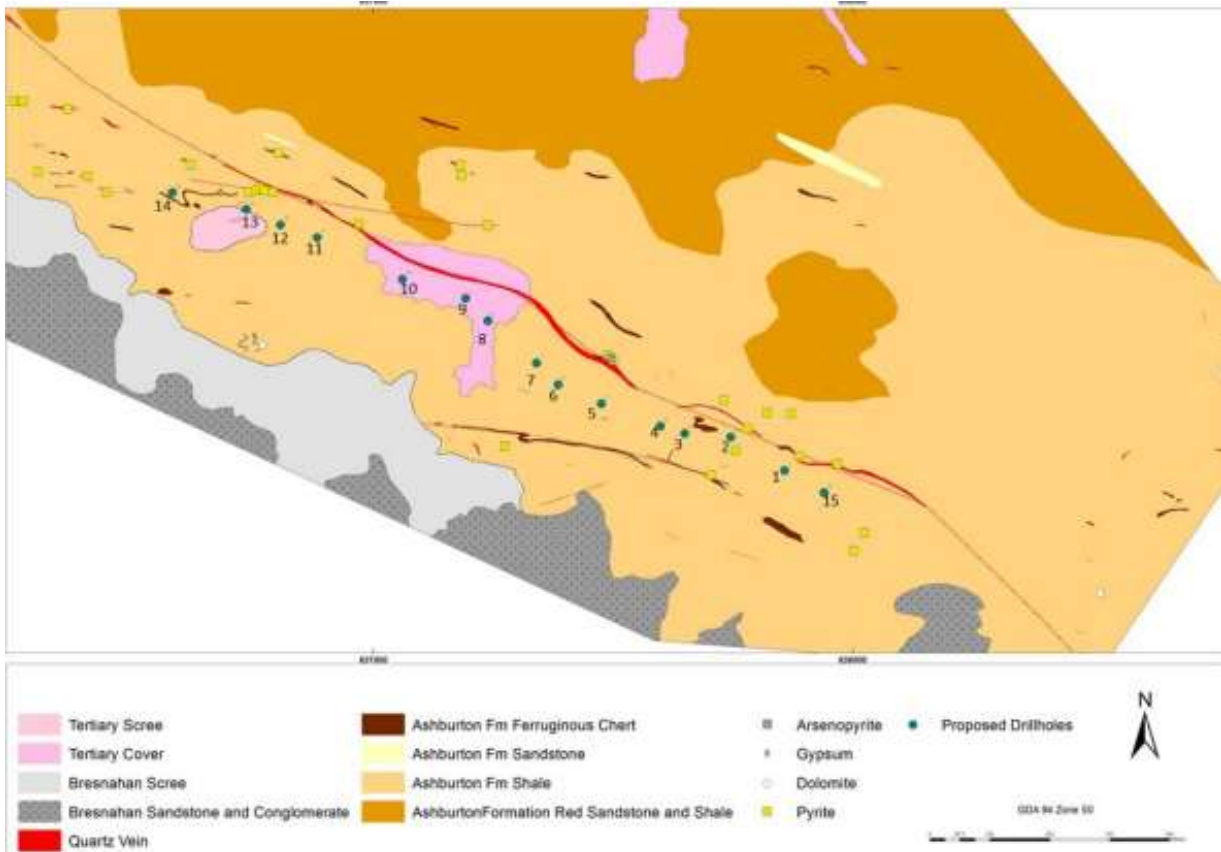
After encouraging results from the rock chip sampling program, Avocet undertook geochemical sampling of the Saltwater Pool JV Project and collected a total of 268 samples comprising 99 sediment samples, 24 rock chip samples and 145 soil samples (Table 3:7).

Table 3:7 Geochemical Samples from Saltwater Pool JV Project

Tenement	Samples		
	Rocks	Soil	Streams
E 52/1890	10	145	39
E 52/1890	14		50
E 52/1940			10

To understand the complex nature of the mineralisation, Avocet engaged services of SJS Resources Management Pty Ltd to review the structure, stratigraphy and mineralisation of the Monster prospect (Figure 3:9). The vein system was mapped over 2 km before its strike extended beneath the overlying sandstone sequence.

Figure 3:9 Geological Mapping Monster Prospect



The consultants from SJS Resource Management Pty Ltd have proposed a model similar to Homestake mine in South Dakota in USA which is estimated to hold 40 million oz. gold. Avocet has planned a number of drill holes to further delineate the gold deposit.

3.2.3 Valuation

On the basis of geological evidences and results of the historical exploration program conducted by Avocet, Salva believes that Saltwater Pool JV Project is prospective for Gold mineralisation and hence Salva has opted to value these tenements on the basis of market comparable for gold tenements.

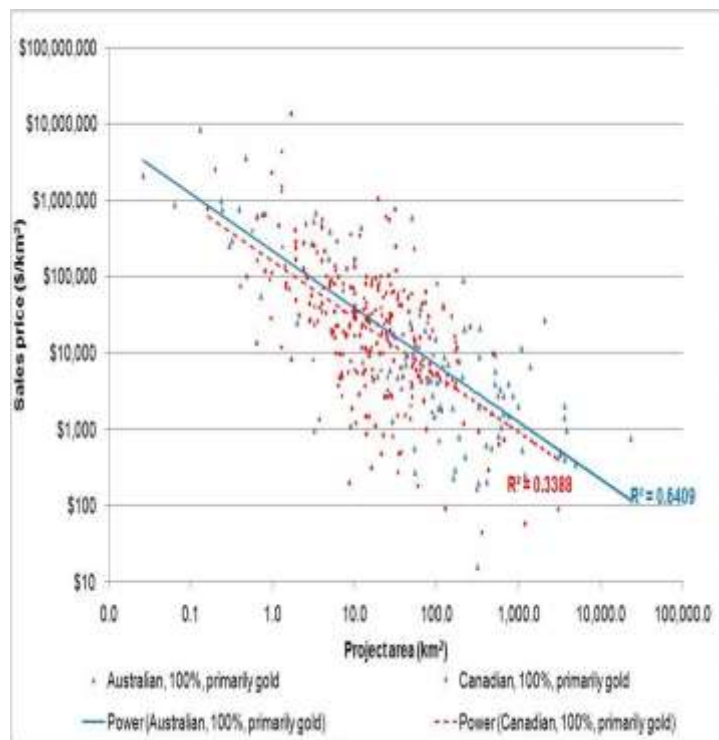
In order to find out the implied value of the Saltwater Pool JV Project, Salva has conducted a comparable transaction involving early stage gold project located in key gold bearing region of Western Australia. To generate a data set under current time and circumstances, Salva has selected only those transactions which happened during the past three years and for the assets with sizable area and similar exploration history as the Saltwater Pool JV Project. These transactions are outlined in Table 3:8.

Table 3:8 Comparable Transaction, Saltwater Pool JV Project

Date	Project	Buyer	Seller	Location	Interest	Area (km ²)	Transaction Value \$/km ²
Jan-13	Pilbara Mineral Western Australia	Fox Resources	Pilbara Minerals	WA	80%	998	2,123
Nov-12	Lucky Bay, South Hogan's Gold, West River, and Velvet Strike	Octagonal	Gold Attire, Gladiator Resources, West River, and Velvet Strike Pty Ltd	WA	30%	530	6,415
Oct-12	Fraser Range Project	Ram Resources	Regency Mines Australia Pty Ltd	WA	100%	271	5,535
May-12	41 tenements in Western Australia	Artemis Resources	Karratha Metals	WA	100%	700	3,477
Apr-12	Tempia Gold Project	Azuex Exploration	Tampiagold and Golora	WA	80%	35	17,857
Feb-11	Mount Ida Gold Project	Wild Acre Metals	Peter Gibson	WA	100%	76	395
Jan-11	Cheritons East	Silver Stone Resources	Unknown	WA	100%	58.3	3,602
Dec-10	Yalgoo Project	WCP Resources	Unknown	WA	100%	75	473
Oct-10	Tropicana Belt	Sirius Resources	Mark Creasy	WA	70%	2300	6,832
Sep-10	Pinjin Gold Project	Renaissance Minerals Ltd	Newmont Exploration Pty Ltd	WA	93%	277	1,562
Median							3,540
Average							4,827

Salva notes that smaller projects have generally traded at higher prices as the size of the tenement has a profound effect on unit value (inverse relationship), which is evident in the distribution set generated from the historical transactions involving early stage gold tenements (Figure 3:10).

Figure 3:10 Relationship between size and value for gold properties



To nullify the effect of the tenement size on the transaction of early stage gold projects, Salva considered tenements located within Western Australia with an area between 200 km² and 1,000 km² only.

An analysis of the Saltwater Pool JV Project relative to comparable transactions suggests that the valuation for Saltwater Pool JV Project should be in the lower part of the comparable transaction range, and probably between \$1,562/km² - \$3,477/km² with a preferred value of \$2,520/km². Salva’s rational for upper and lower value are given below:

- Upper Value: The implied median value (\$/km²) of the comparable transaction data set.
- Lower Value: The implied lower quadrant value (\$/km²) of the comparable transaction data set.
- Preferred Value: Midpoint between upper and lower value.

In summary, the equity value of Avocet (51%) in the Saltwater Pool JV Project is valued at \$0.83 million within the range of \$0.52 million to \$1.15 million. A summary of Salva’s market-based valuation of Saltwater Pool JV Project is presented in Table 3:9.

Table 3:9 Valuation Summary, Saltwater Pool JV Project

Project	Tenement Size (km ²)	Selected value (\$/ km ²)			Project value (\$ million)		
		Low	High	Preferred	Low	High	Preferred
Saltwater Pool JV Project	648.5	1,562	3,477	2,520	1.01	2.25	1.63
Avocet equity Share (51%)					0.52	1.15	0.83

3.3 Wabli Creek Project

3.3.1 Location and Tenure

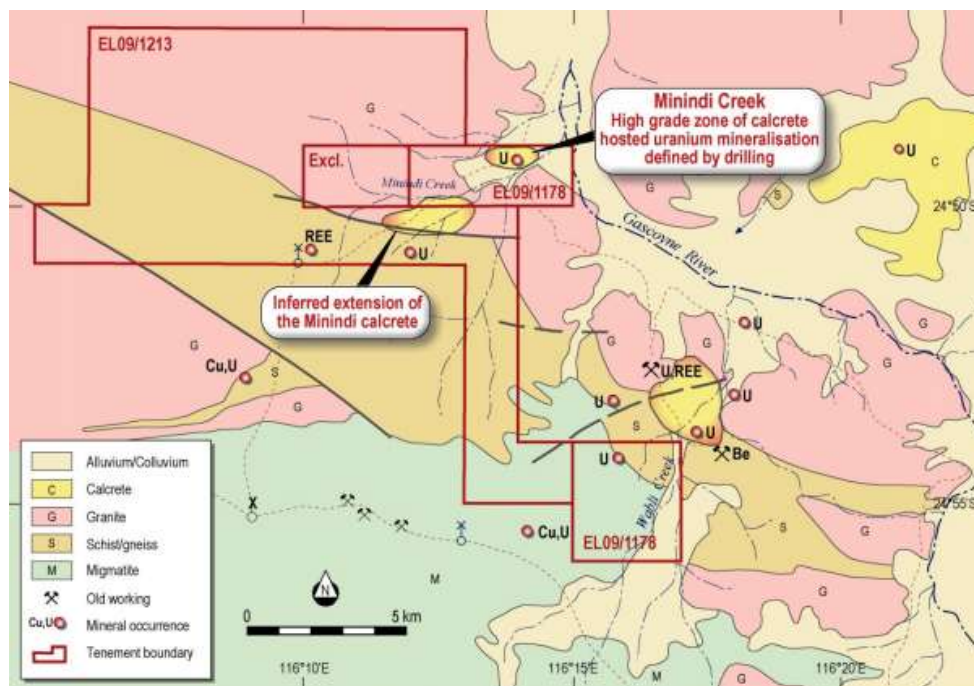
The Wabli Creek Project is comprised of two tenements, EL09/1178 and EL09/1213 and is located approximately 300 kilometres east of Carnarvon in the Gascoyne province of Western Australia. The tenements comprising the Wabli Creek Project consist of 23 blocks covering an area of 72 km².

Accessibility of the project area is good. The project area can be accessed by sealed branch road from Carnarvon Mullewa Road followed by access tracks. The area has a moderate arid to tropical climate with mean maximum daily temperatures varying from 20-22°C in July to 35-37°C in January. Annual precipitation is low and variable with maximum rainfall occurring during the month of November to February.

3.3.2 Geological Settings and Mineralisation

The Gascoyne region is known to host a number of uraninite-bearing pegmatites and calcretes, considered prospective for basement-hosted uranium deposits. The Gascoyne region is a typical zone of deformation, metamorphism and magmatism which was formed as a result of oblique collision of Yilgarn and Pilbara Craton during Early Proterozoic Capricorn Orogen. The area is considered prospective for unconformity-type, vein-type, granite-related and calcrete-hosted uranium mineralisation, as well as for gold and base metals. In this region, Carnotite bearing valley calcrete deposits overlie Lower Proterozoic metamorphic and intrusive rocks. The generalised surface geology of the Wabli Creek Project is shown in Figure 3:11 below.

Figure 3:11 Generalised Surface Geology Wabli Creek Project.



3.3.3 Recent Exploration

Historically, Gascoyne region had been subject of exploration for uranium being pegmatites and uranium bearing Calcretes. During 1974, Agip Nucleare Australia Pty Ltd discovered uranium in pegmatite, 3 km north of Mortimer Hills.

At Minindi Creek, which is located north of the Wabli Creek Project, exploration activity included auger drilling and costeaning. Samples returning assays containing up to 0.93% U₃O₈ (9300 ppm U₃O₈).

Avocet then known as (U3O8 Limited) conducted a rock chip sampling program during 2007-2008 and collected 19 rock chip samples. The geochemical results of the nineteen rock chip samples returned assays up to 1155 ppm U₃O₈. The rock chip sampling program was followed by a drilling campaign involving drilling of shallow RC holes of 10 meters average depth. The results indicated presence of U₃O₈ up to 877 ppm (Table 3:10).

Table 3:10 Results from Shallow RC drilling, Wabli Creek Project

Hole	Easting	Northing	From (m)	To (m)	Thickness (m)	U ₃ O ₈ (ppm)
MCRC112	422200	7254680	0.5	2.2	1.7	242
MCRC114	422200	7254480	0.99	2.55	1.56	232
MCRC116	422200	7254280	1.76	2.66	0.9	402
MCRC122	422300	7254340	0.65	1.75	1.1	358
MCRC123	422300	7254240	0.74	2.3	1.56	343
MCRC127	422400	7254600	2.12	4.66	2.54	431
MCRC168	422054	7253640	1.17	3.51	2.34	301
MCRC180	422457	7253850	1.65	3.03	1.38	245
MCRC079	421600	7254165	1.11	3.47	2.36	425
MCRC086	421700	7254093	3.71	5.05	1.34	697
MCRC092	421796	7254230	2.12	4.7	2.58	877
MCRC098	421900	7254260	3.26	4.08	0.82	376
MCRC103	422000	7254380	1.19	2.95	1.76	322
MCRC104	422000	7254280	1.55	4.41	2.86	393
MCRC105	422000	7254180	0.13	1.43	1.3	450

Source: Avocet Resources Annual Report 2007

During 2012, a further RC drilling program was carried out by Avocet. The drilling program consisted of drilling 32 RC drill holes for a cumulative advance of 344 meters. Out of 32 RC holes drilled in the Wabli Creek Project, 21 holes were drilled in tenement E09/1213 while remaining 11 holes were drilled in tenement E09/1178. A summary of results are presented in Table 3:11 below.

Table 3:11 : RC Drilling Results, Wabli Creek, 2012

Tenement	Hole Number	Coordinates		Depth (m)	Interval (m)	Intersection U ₃ O ₈ (ppm)
		E	N			
E09/1178	MBRC01	421800	7253720	6	2.41 - 2.81	0.40m @ 206.7
					3.33 - 3.93	0.60m @ 375.2
E09/1178	MBRC03	421780	7253525	6	1.57 - 1.85	0.28m @ 218.8
					2.03 - 2.73	0.70m @ 215.4

E09/1178	MBRC04	421640	7253420	12	2.90 - 4.66	1.76m @ 414.7
E09/1178	MBRC05	421625	7253510	12	1.84 - 2.16	0.32m @ 185.4
					3.36 - 3.84	0.48m @ 185.1
					3.94 - 4.46	0.52m @ 215.2
E09/1178	MBRC07	421620	7253700	9	5.83 - 6.57	0.74m @ 369.6
E09/1213	MBRC25	419750	7252420	12	1.42 - 2.10	0.68m @ 231.7
					3.20 - 3.46	0.26m @ 169.3
E09/1213	MBRC28	420475	7252320	12	3.30 - 4.30	1.00m @ 239.9
					4.52 - 4.80	0.28m @ 197.9
					5.18 - 5.44	0.26m @ 174.0
E09/1213	MBRC29	421080	7253020	12	0.28 - 1.36	1.08m @ 339.8
E09/1178	MBRC31	421300	7253410	10.5	4.28 - 5.50	1.22m @ 252.2

3.3.4 Valuation

To value tenements involving Wabli Creek Project, Salva has used the recent transaction data set involving early stage uranium projects as outlined in Table 3:3 previously. To find out implied value of Wabli Creek Project, Salva has opted to use transactions for the early stage uranium project with tenement size less than 500 km².

Considering the recent evidences of uranium mineralisation, Salva has opted to apply a median value of \$2,007 per square kilometre as a preferred value. The upper and lower value for the Wabli Creek Uranium Project has been estimated as preferred value as plus-minus 30% respectively, which may be considered appropriate valuation range for the early stage exploration properties. The valuation summary of Wabli Creek Project has been presented in Table 3:12 below.

Table 3:12 Valuation, Wabli Creek Project

Project	Tenement Size (km ²)	Selected value (\$/ km ²)			Project value (\$ 000)		
		Low	High	Preferred	Low	High	Preferred
Wabli Creek Project	72	1,410	2,609	2,007	101	187	144
Avocet equity Share (100%)					101	187	144

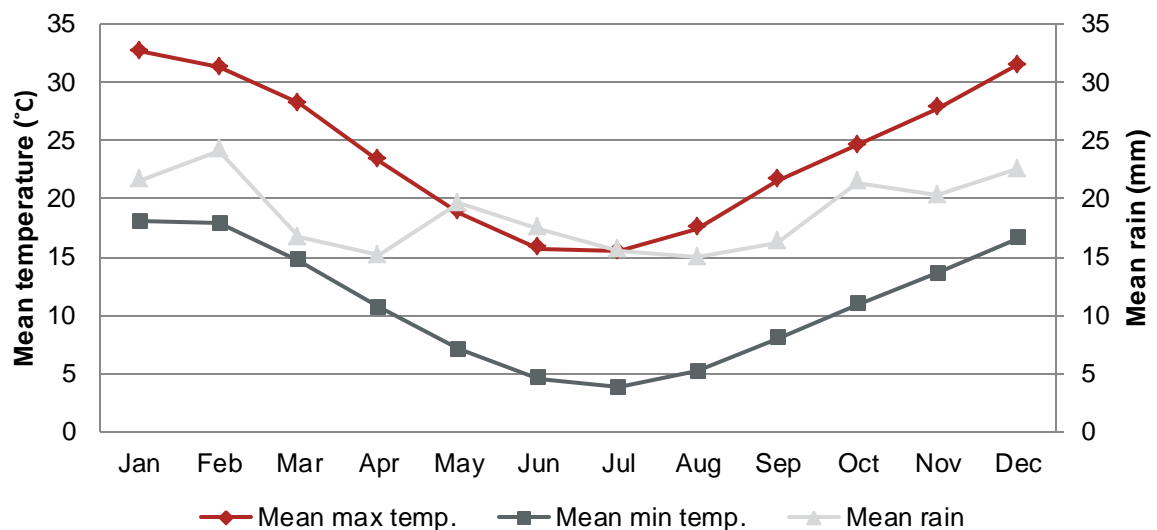
3.4 Olary Creek Project

3.4.1 Location and Tenure

The Olary Creek Project tenement EL 4664 in South Australia is located approximately 90 km southwest of Broken Hill and 37 km south of Mingary on the Barrier Highway and the Indian Pacific Railway and wholly owned by Avocet. The tenement covers an area of 280 km². The project area can be accessed by four wheel drive vehicles from Olary located 115 km west of Broken Hill on the Barrier Highway using the network of dirt tracks in the outback area, or from Cockburn and through Mutooroo station.

The area has a hot desert climate with cool winters with temperatures down to 4°C (May – August) and hot summers with temperatures up to 33°C (November – March). The annual rainfall is 225mm per year evenly spread out over the year with 19mm per month. On average it rains 2-3 days a month (Figure 3:12).

Figure 3:12 Climate, Olary Creek Project



Source: Climate data from Broken Hill Bureau of Meteorology, 2012. Salva Resources

Avocet holds 100% interest in the Olary Creek tenement. Originally the project was covered by EL 3454. EL 3454 expired in November 2010. A replacement tenement, E4664 covering the same ground, was granted to Avocet on 8th February 2011 (Table 3:13).

On 22nd February 2010, Avocet entered into a joint venture agreement with HJH Nominees, a private Chinese company, on the Fe and Mn rights at Olary Creek (“JV Agreement”).

Under the terms of JV Agreement,

- HJH Nominees were to spend \$2 million on exploration within two years of signing the JV Agreement, at which time HJH Nominees would have earned 49% interest in the Fe and Mn on the project.
- HJH Nominees were to spend \$5 million within 4 years to earn 75% interest of the Fe and Mn on the project.
- HJH Nominees and its approved 3rd party partners are sole funding any Fe or Mn exploration on the tenement.

- Avocet is free carried to the completion of bankable feasibility study and decision to mine.
- Avocet retains the rights for all other commodities.

Currently HJH Nominees and its partner have spent about \$7 million on exploration on the area. Avocet is now free carried to the completion of a bankable feasibility study and decision to mine. The current equity is Avocet 25% (free carried), Henan 53%, and HJH 22% (both contributing).

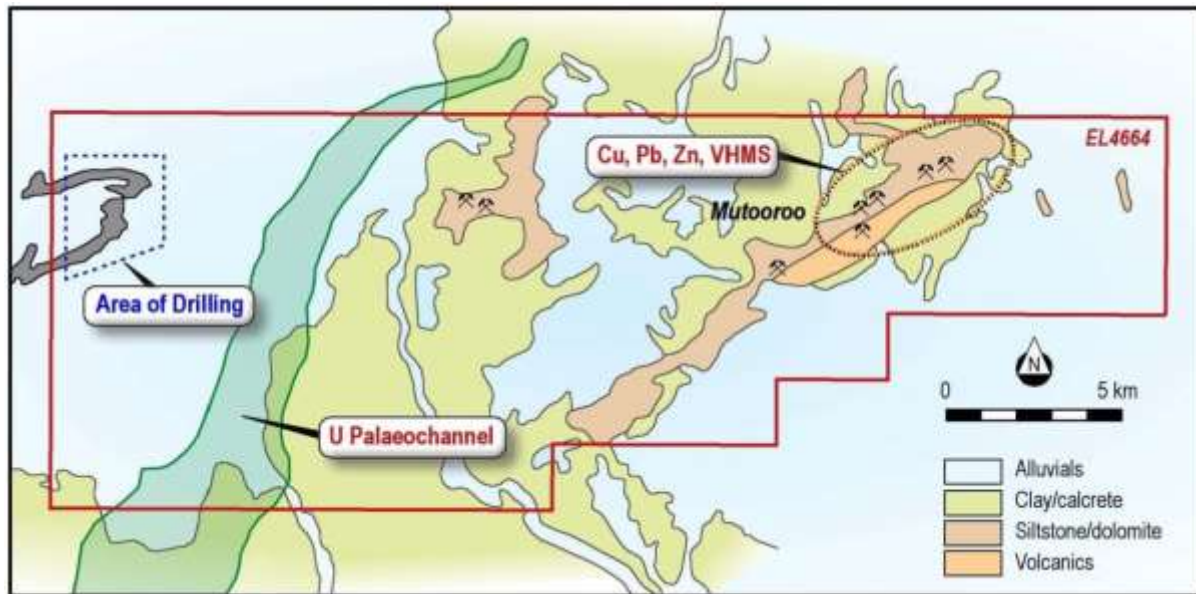
Table 3:13 Tenement Details Olary Creek

Tenement number	Grant Date	Term to	Total Area (km2)	Holder's Name
E 4664	8/2/2011	7/2/2016	280	Avocet Resources

3.4.2 Geological Settings and Mineralisation

The Olary Creek Project tenement is located in the southern part of the Curnamona Province (Olary domain) which hosts the Paleoproterozoic Willyama Supergroup (1.71 – 1.64 Ga) which comprises the province basement (Conor, 2000). In the tenement area, the Willyama Supergroup is subdivided into the Strathearn Group (~1.69-<1.48 Ga) and the Curnamona Group (~1.71 Ga). The tenement comprises lithologies from the Curnamona Group which is a metasediment-dominated volcano-sedimentary sequence. The Curnamona Group consist of the Ethjudna Subgroup (1.707 Ga) and the Wiperaminga Subgroup (1.712 Ga). The lithologies included in the Wiperaminga Subgroup are predominantly interlayered albitised and schistose metasediments with the albitic units as the magnetite bearing units. The lithologies in the Ethjudna Subgroup include felsic volcanics with proximal magnetite or hematite bearing epiclastics. The Willyama Supergroup is superimposed by a Neoproterozoic (1.0 – 0.54 Ga) succession. The Neoproterozoic sediments are stratigraphically divided into the Wilpena, Umberatana and Burra Groups. The Willpena Group consists of laminated siltstones, quartzite, dolomite, marble and sandy marble; the Umberatana Group consists of tillite, sandstone, siltstone, arkose, dolomite, quartzite, shale and greywacke and the Burra Group consists of laminated siltstone, shale, sandstone and dolomite.

Figure 3:13 shows the generalised surface geology of the Olary Creek Project.

Figure 3:13 Generalised Surface Geology Olary Creek Project

Source: Avocet

3.4.3 Mineralisation

The tenement is prospective for copper-lead-zinc (VHMS), uranium and iron. The Company has completed exploration drilling programs for base metals in the eastern part of the tenement and for uranium in a palaeochannel in the western part of the tenement. The Company's focus has recently turned towards the iron ore potential in the western part of the tenement. Diamond and RC drilling programs have been carried out in 2011 and 2012 and analyses have indicated head grades of up to ~40% Fe and concentrates made using the Davis Tube Recovery methods have yielded grades around 68-70% Fe. P, S, Al₂O₃ and SiO₂ are generally low in the concentrates. The iron ore mineralisation is stratabound and sediment hosted magnetite in Neoproterozoic bedded siltstone and silty shale (Braemer Iron Formation, Umberatana Group). The mineralisation intersected during the drilling appears as three sub-parallel units folded in a horseshoe shape open towards southwest. The units are dipping towards the centre of the horseshoe. In between the relatively high grade Fe mineralised units (grades of 20-40% Fe); bedded siltstone with lower grade magnetite mineralisation has been intersected during diamonds and RC drilling.

3.4.4 Recent Exploration

Until the end of 2009, the exploration activities in the Olary Creek Project were focused on assessing the uranium potential only. However, after the encouraging results from the regional aeromagnetic survey and preliminary investigation of the magnetite rich units within the tenement (Figure 3:14), Avocet has shifted its focus to the Iron ore potential of this project.

Figure 3:14 Preliminary Investigation of Iron ore Potential- Olary Creek Project

Source: Avocet

FY 2010-11

Once the JV Agreement was put in place Avocet commenced the first phase reverse circulation drilling on iron ore target which was completed in December 2010. During this campaign, 6 RC boreholes (OCKRC01 to OCKRC06) were completed with a total meterage of 689 meters. The spacing between these bore holes was kept variable in order to test more magnetite portion of the zone. A weakly magnetic signature indicative of palaeochannel iron was also tested with one of the hole but did not return any significant results.

The better intersections of magnetite rich siltstone include drill hole OCKRC01 81m @ 29% Fe including 17m @ 39.7% Fe, OCKRC02 10m @ 43.3% Fe, OCKRC03 11m @ 41% Fe and OCKRC04 28m @ 36% Fe and 3m @ 39% Fe.

The composite samples were prepared (up to 4m) and were analysed by ALS Perth using fusion XRF. The grind size was kept at 45 microns. Results showed the Fe% in the concentrate was varying from 68.1% Fe to 71.4% Fe with a weight recovery of 11.4% to 51%. The SiO₂ and Al₂O₃ were well within the acceptable limits.

Following the favorable results from phase-1 drilling program, the joint venture commenced second phase drilling program comprising approximately 5,500 meters of diamond drilling.

FY 2011-12

In phase 2 of the drilling program which commenced in 2Q of FY 2011-12, Avocet along with its JV partner HJH Nominees and its partner, "HJK", completed total 55 drill holes with a cumulative meterage of 16241.3 m, comprising 28 diamond drill holes with a total meterage of 7,712.4 meters, 9 RC drill holes 1,754 meters and remaining combined RC and diamond drill holes for a total of 6,774.9 meters. The drilling program targeted a significant portion of the siltstone hosted Braemer Iron Formation which is highly prospective for bulk magnetite iron ore deposits in the region. The upper 30 to 80 meters of stratigraphy is iron rich but contains a combination of both hematite and magnetite. Despite of the fact that Fe% in the feed grade in the maximum samples were less than 35%, results obtained from analysis of the sample showed the Fe% in the concentrate was varying from 66.1% Fe to 71.12% Fe with a mass recovery of 13.6% to 51%.

The SiO₂ and Al₂O₃ were well within the acceptable limits. The details on test results on samples for Fe Concentrate, DTR and Head Grade Results from the 2011-12 drilling program have been indicated in Table 3:14 & Table 3:15 below.

Table 3:14 Drill Holes Details 2011-12 Program

Hole No.	Coordinates		RC	DD	Total Depth (m)	Azimuth	Dip
	N	E					
ZK0404	6402140	467485	148	-	148	360	60
ZK0408	6401965	467485	136	221.5	357.5	360	60
ZK0804	6402265	467885	148	-	148	360	60
ZK0808	6402090	467885	270	96.6	366.6	360	60
ZK1606	6402340	468685	238	-	238	360	60
ZK1806	6402417	468885	-	174.9	174.9	360	60
ZK1808	6402320	468885	-	253	253	360	60
ZK1810	6402229	468885	238	89.8	327.8	360	60
ZK1812	6402139	468885	178	234	412	360	60
ZK2004	6402537	469085	-	123.5	123.5	360	60
ZK2010	6402251	469085	202	102	304	360	60
ZK2012	6402161	469085	244	12	256	360	60
ZK2013	6402151	469085	300	127	427	360	60
ZK2204	6402508	469285	94	-	94	360	60
ZK2206	6402439	469285	172	-	172	360	60
ZK2208	6402342	469285	220	-	220	360	60
ZK2210	6402222	469285	178	156	334	360	60
ZK2212	6402132	469285	250	162	412	360	60
ZK2408	6402249	469485	300	-	300	360	60
ZK2410	6402168	469485	300	106	406	360	60
ZK2604	6402435	469685	-	108	108	360	60
ZK2606	6402340	469685	194	-	194	360	60
ZK2608	6402240	469685	237	27.8	264.8	360	60
ZK2610	6402149	469685	250	96	346	360	60
OL0007	6402100	469720	164	65	229	090	60
OL0010	6401900	469100	300	198.7	498.7	090	60
OL0012	6401900	469300	223	282	505	090	60
OL0023	6401500	468900	238	109.8	347.8	090	60
OL0024	6401500	469000	240	-	240	090	60
OL0028	6401300	468800	222	267.1	489.1	090	60
OL0028	6401300	468900	300	192	492	090	60
ZKE0800	6401610	469085	-	454	454	118	60
ZKN0800	6402332	468026	-	222.4	222.4	345	70
ZK1619	6400810	468685	-	453.3	453.3	N/A	90
ZK1611	6401610	468685	-	702.5	702.5	N/A	90
ZK1603	6402410	468685	-	309.5	309.5	N/A	90
ZK1605	6402260	468685	-	489.5	489.5	N/A	90
ZK1604	6402416	468685	-	189.5	189.5	000	60

ZK1608	6402242	468685	-	351.5	351.5	000	60
ZK1204	6402412	468283	-	153.4	153.4	000	60
ZK1208	6402247	468285	-	351.4	351.4	000	60
ZK2407	6402012	469484	-	296	296	120	60
ZK2404	6402431	469485	-	165.2	165.2	000	60
ZK2006	6402410	469085	-	201.4	201.4	000	60
ZK2008	6402313	469085	-	312	312	000	60
ZK2406	6402376	469486	-	245.8	245.8	000	60
OL0026	6401500	469200	-	177	177	90	60
OL0025	6401500	469100	-	159	159	90	60
OL0019	6401700	469100	-	174.4	174.4	90	60
OL0018	6401700	469000	-	267.4	267.4	90	60
OL0014	6401900	469500	-	200	200	90	60
OL0017	6401698	468897	-	393.4	393.4	90	60
OL0005	6402104	469498	-	302.4	302.4	90	60
OL0030	6401300	468999	-	275.5	275.5	120	60
OL0031	6401300	469096	-	206.5	206.5	085	60

Source: Avocet

Table 3:15 Concentrate DTR and Head Grade Results

Hole ID	From (m)	To (m)	Interval (m)	Mass Recovery (%)	Head Grade Fe%	Concentrates				
						Fe %	Al2O3	P	S	SiO2
ZK0404	101	139	38	30.26	32.99	70.46	0.117	0.005	0.002	1.71
ZK0408	123	285	162	19.39	20.93	69.76	0.216	0.004	0.003	2.97
ZKE0800	42	61	19	18.69	17.95	66.29	0.460	0.014	0.006	6.40
	88	112.3	24.3	20.29	22.31	67.40	0.460	0.013	0.013	4.41
	124.5	168.6	44.1	42.22	34.59	67.94	0.390	0.025	0.040	4.16
ZKN0800	44.3	48.2	3.9	46.95	48.07	69.49	0.250	0.016	0.003	1.24
	70	153.4	83.4	24.83	23.41	69.13	0.250	0.006	0.003	3.53
ZK0804	49	59	10	14.73	20.93	68.83	0.258	0.006	0.005	3.08
	78	125	47	24.66	26.16	69.66	0.188	0.007	0.004	2.91
ZK0808	89	101	12	19.95	21.59	70.10	0.168	0.006	0.003	1.66
	139	192	53	16.01	19.06	70.12	0.181	0.005	0.010	2.37
	197	363.1	166.1	20.25	22.20	69.46	0.250	0.004	0.005	3.11
ZK1204	47.7	53	5.3	16.72	45.22	68.99	0.310	0.027	0.005	0.85
	75.5	148	72.5	22.22	27.60	69.34	0.220	0.004	0.004	2.92
ZK1208	109.5	122	12.5	22.64	24.19	69.58	0.210	0.005	0.001	2.35
	135.8	209	73.2	17.56	20.69	69.69	-	-	-	-
	254	351.4	97.4	22.68	25.15	69.21	0.200	0.007	0.009	3.36
ZK1603	86.5	192	105.5	18.29	23.46	69.24	0.271	0.004	0.002	3.03
	210	285.5	75.5	33.02	26.58	67.43	0.533	0.007	0.002	5.45
ZK1604	89.78	103.5	13.72	21.08	24.80	69.12	0.170	0.006	0.001	2.84

	112.5	149.7	37.2	26.04	23.58	69.09	0.310	0.007	0.001	3.01
ZK1605	134.5	181	46.5	16.53	22.21	69.48	0.240	0.002	0.003	2.89
	199.23	237.6	38.37	15.94	20.62	70.02	0.190	0.001	0.001	2.68
	246.2	255.7	9.5	19.33	23.70	68.20	0.170	0.000	0.000	3.16
	256.9	272.9	16	20.90	25.40	70.52	0.170	0.003	0.003	2.14
	368	374.63	6.63	23.19	23.75	69.38	0.390	0.010	0.010	2.91
	388.5	411	22.50	17.38	18.98	70.57	0.220	0.004	0.004	1.83
	476	487	11	12.32	18.47	70.29	0.150	0.003	0.003	2.47
ZK1606	99	220	121	20.70	23.51	70.04	0.229	0.007	0.003	2.29
ZK1608	115.58	158.86	43.28	16.92	26.64	69.66	0.140	0.004	0.005	2.59
	162.3	167.1	4.8	29.15	36.74	70.21	0.190	0.009	0.006	2.28
	170.6	174.75	4.15	42.94	41.49	70.54	0.120	0.007	0.004	1.55
	195.5	207.7	12.2	19.33	21.26	70.46	0.160	0.004	0.005	2.12
	208.8	325.7	116.9	22.50	23.14	69.47	0.280	0.006	0.004	3.03
ZK1611	108.2	259.7	151.5	21.46	17.99	66.90	0.490	0.017	0.004	6.09
	293	398	105	18.96	17.35	67.97	0.290	0.008	0.005	5.09
	419.7	439.6	19.9	19.06	20.83	68.63	0.330	0.009	0.005	4.11
	443.4	460.7	17.3	10.56	11.31	67.39	0.440	0.007	0.007	5.39
ZK1619	76	94.8	18.8	18.17	16.76	67.40	0.334	0.007	0.003	5.81
	119	395	276	16.62	16.81	67.15	0.362	0.006	0.005	6.05
	413.6	453.3	39.7	19.58	17.89	68.35	0.394	0.005	0.006	4.37
ZK1806	48.3	58.6	10.3	16.12	25.58	69.44	0.220	0.006	0.003	1.69
	62.3	163.4	101.1	23.07	25.62	69.55	0.270	0.007	0.005	2.60
ZK1808	65.9	89.35	23.45	18.50	28.19	69.13	0.231	0.007	0.004	2.58
	92.8	102.35	9.55	32.71	37.91	70.01	0.216	0.007	0.003	2.46
	121.35	253	131.65	23.57	26.26	70.22	0.257	0.006	0.003	2.13
ZK1810	148	185	37	17.51	22.21	70.51	0.210	0.006	0.002	2.14
	197	238	41	20.08	24.68	71.12	0.170	0.006	0.002	1.34
	238	319.55	81.55	23.00	24.35	69.53	0.230	0.003	0.002	2.99
ZK1812	41	61	20	15.16	19.54	68.24	0.344	0.015	0.003	3.13
	69	98	29	15.40	21.85	69.28	0.177	0.007	0.002	2.26
	192.25	399.2	199.95	20.15	22.30	69.00	0.274	0.006	0.004	3.80
ZK2004	17	32.1	15.1	18.96	26.84	68.83	0.230	0.007	0.001	2.03
	44.5	74.1	29.6	31.38	27.73	68.90	0.330	0.008	0.019	3.43
ZK2006	35.4	157.8	122.4	21.60	23.69	65.53	0.210	0.004	-	1.93
	162	167.2	5.2	22.11	27.43	66.15	0.690	0.021	-	5.78
ZK2008	50.35	79.3	28.25	14.71	24.71	69.95	0.180	0.002	0.006	1.64
	86.6	91.3	4.7	23.55	35.03	70.22	0.150	0.004	0.006	1.81
	116	238.45	122.45	21.66	23.92	69.79	0.250	0.004	0.007	2.52
ZK2010	64	85	21	9.90	20.16	69.85	0.244	0.002	0.002	2.28
	97	124	27	15.22	20.89	69.96	0.256	0.003	0.001	2.84
	134	154	20	16.05	21.59	70.38	0.249	0.003	0.003	2.26
	167	202	35	20.39	24.58	70.73	0.197	0.002	0.003	1.64
	223.6	292.3	68.7	23.57	24.58	68.74	0.327	0.007	0.011	3.65

ZK2012	134	228	94	13.76	18.36	64.86	0.247	0.003	0.004	2.26
	244.2	256	11.8	26.27	27.48	70.95	0.147	0.004	0.000	1.56
ZK2013	10	24	14	16.06	20.90	67.95	0.223	0.012	0.005	3.58
	157	251	94	15.11	20.70	69.80	0.218	0.006	0.003	2.92
	264	300	36	21.07	24.83	70.70	0.195	0.006	0.002	1.85
	300	408	108	19.51	22.08	69.40	0.286	0.004	0.001	3.26
ZK2204	41	77	36	25.80	26.49	69.06	0.370	0.006	0.008	3.05
ZK2206	30	60	30	12.69	22.42	69.73	0.210	0.086	0.001	1.23
	74	139	65	24.68	24.10	69.33	0.320	0.004	0.002	3.06
ZK2208	85	138	53	19.06	23.68	70.32	0.247	0.003	0.002	2.12
	156	220	64	27.38	24.84	69.88	0.258	0.002	0.004	2.68
ZK2210	52	71	19	11.28	20.64	69.38	0.170	0.003	0.003	2.43
	84	147	63	18.96	21.69	69.84	0.196	0.005	0.003	2.68
	178	229	51	19.12	23.00	69.82	0.268	0.004	0.002	2.49
	240.65	300.4	59.75	25.36	23.02	68.90	0.266	0.006	0.004	3.88
ZK2212	122	153	31	14.73	21.37	70.06	0.215	0.005	0.002	2.36
	164	245	81	18.01	21.64	70.18	0.182	0.005	0.002	2.37
	275	404	129	21.94	22.48	69.27	0.290	0.005	0.003	3.26
ZK2404	94	139.7	45.7	28.67	26.76	69.97	0.240	0.005	0.009	2.70
ZK2406	80.9	93.3	12.4	10.32	28.41	68.89	0.270	0.110	0.007	1.20
	97.3	123.1	25.8	15.99	21.74	69.61	0.250	0.005	0.006	2.20
	150.25	230.4	80.15	24.27	21.75	68.64	0.330	0.007	0.009	4.06
ZK2407	89.1	134.2	45.1	25.89	21.22	68.31	0.426	0.008	0.010	4.35
	142.1	172	29.9	23.53	20.19	68.02	0.369	0.007	0.007	4.69
	214.1	235.3	21.2	36.97	32.70	68.66	0.361	0.013	0.007	3.79
ZK2408	87	101	14	25.36	27.18	70.65	0.138	0.005	0.001	1.31
	101	110	9	19.75	20.86	70.06	0.217	0.004	0.006	2.61
	135	189	54	18.89	21.88	70.76	0.199	0.002	0.006	1.64
	218	295	77	23.04	21.36	70.48	0.196	0.002	0.009	2.03
ZK2410	40	52	12	13.41	23.18	70.04	0.223	0.002	0.004	1.60
	109	156	47	19.29	23.46	70.31	0.202	0.002	0.005	2.30
	160	170	10	19.66	20.86	69.00	0.303	0.005	0.003	3.77
	205	274	69	19.81	22.16	69.92	0.293	0.004	0.005	2.58
	299	388.7	89.7	22.51	21.18	69.23	0.224	0.003	0.001	3.52
ZK2604	64	70.3	6.3	17.86	42.07	69.07	0.117	0.016	0.000	1.16
	74.1	101	26.9	17.00	23.13	68.82	0.343	0.008	0.002	2.62
ZK2606	89	175	86	23.67	23.13	69.64	0.272	0.006	0.003	2.82
ZK2608	73	81	8	14.76	23.85	69.73	0.199	0.005	0.001	1.46
	90	144	54	17.93	21.58	70.48	0.184	0.005	0.001	1.74
	156	250	94	23.59	21.20	69.91	0.252	0.005	0.003	2.79
ZK2610	67	107	40	18.46	22.54	69.93	0.189	0.003	0.009	2.24
	120	176	56	21.50	22.62	69.32	0.243	0.005	0.002	3.21
	220	311.9	91.9	25.33	21.89	69.22	0.281	0.006	0.003	3.45
OL0005	145	206.12	61.12	26.90	25.73	70.10	0.240	0.006	0.001	2.36

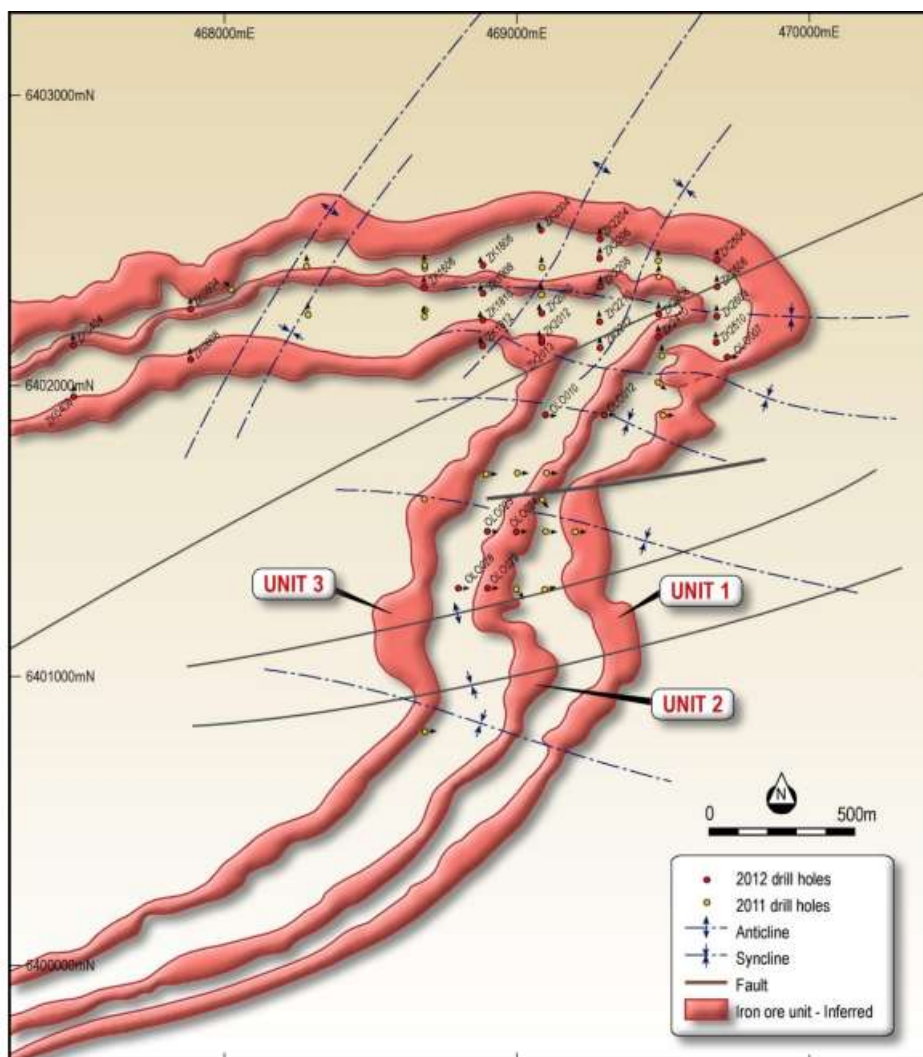
	221.3	253.6	32.3	23.42	22.97	70.12	0.190	0.004	0.001	2.51
OL0007	6	21	15	22.50	24.92	68.90	0.208	0.006	0.005	1.95
	108	177.5	69.5	30.09	24.31	69.08	0.228	0.005	0.001	3.77
	182.95	229	46.05	34.94	28.89	69.77	0.197	0.006	0.001	2.74
OL0010	104	215	111	17.12	20.02	69.06	0.236	0.006	0.004	3.47
	223	269	46	19.31	18.71	68.82	0.262	0.004	0.001	4.36
	276.95	301.2	24.25	29.40	23.37	68.87	0.274	0.009	0.003	4.03
	323.6	471.6	148	23.77	20.12	69.42	0.265	0.006	0.003	3.14
OL0012	85	99	14	23.75	19.93	68.57	0.368	0.007	0.002	3.94
	186	263	77	27.92	22.84	69.68	0.350	0.006	0.002	2.74
	285	339.4	54.4	29.27	24.01	69.70	0.285	0.006	0.002	2.80
	401.4	483.8	82.4	40.39	31.16	69.43	0.445	0.012	0.017	2.95
OL0014	42.9	71.65	28.75	18.01	22.93	68.22	0.349	0.011	0.011	3.19
	161.55	189.8	28.25	37.85	33.52	69.12	0.311	0.013	0.009	3.50
OL0017	23	32.6	9.6	15.58	20.00	68.52	0.300	0.010	0.005	2.79
	40	76	36	11.93	13.39	67.08	0.315	0.008	0.005	5.60
	80.4	113	32.6	11.03	14.02	67.32	0.292	0.007	0.004	5.13
	166	214	48	12.37	15.01	68.23	0.277	0.005	0.003	4.66
	229	342	113	23.28	22.11	69.03	0.235	0.008	0.006	3.73
OL0018	70.2	217.5	147.3	22.68	20.76	67.95	0.320	0.005	0.007	4.94
OL0019	35.2	101.7	66.6	23.57	23.57	68.16	0.290	0.006	0.005	3.87
OL0023	87	115	28	28.07	24.66	69.41	0.299	0.010	0.003	3.26
	264.5	291.7	27.2	27.11	24.99	67.62	0.470	0.015	0.116	4.59
	313.5	342.5	29	42.79	35.94	68.19	0.381	0.019	0.011	4.24
OL0024	31	43	12	27.05	25.61	68.97	0.253	0.013	0.006	3.30
	126	146	20	19.12	18.35	68.50	0.471	0.009	0.013	4.31
	177	194	17	26.45	24.87	69.95	0.372	0.009	0.025	2.41
	211	240	29	36.88	31.45	69.61	0.346	0.014	0.006	2.78
OL0025	40.6	60.8	20.2	20.17	19.00	66.96	0.490	0.007	0.006	5.60
	95.6	110.05	14.45	28.29	26.40	69.27	0.380	0.005	0.009	3.10
	118	146	28	34.71	29.52	68.57	0.370	0.012	0.017	3.80
OL0026	2	14	12	22.57	27.91	68.12	0.545	0.045	0.001	2.25
	29.8	84.2	54.4	23.18	30.64	67.16	0.460	0.029	0.004	4.35
OL0028	103	216	113	21.97	20.02	68.65	0.322	0.007	0.002	4.15
	221.9	236.1	14.2	19.58	17.49	66.78	0.530	0.014	0.015	5.99
	300.8	322.5	21.7	16.87	16.53	65.21	0.630	0.016	0.073	6.89
	351.1	368.8	17.7	23.82	25.45	69.26	0.350	0.014	0.022	2.82
	387.7	408.25	20.55	44.45	37.60	68.01	0.260	0.028	0.012	4.57
	412.2	416.2	4	45.48	39.44	66.71	0.320	0.038	0.014	5.36
	430.4	436.7	6.3	48.09	44.82	68.04	0.350	0.038	0.198	3.70
OL0029	81	110	29	24.84	23.49	68.46	0.273	0.007	0.001	3.82
	197	225	28	21.80	19.81	68.29	0.526	0.007	0.015	4.26
	279	321.8	42.8	20.18	23.06	68.69	0.445	0.012	0.052	3.40
	330.8	492	161.2	39.13	32.99	69.13	0.263	0.020	0.036	3.32

OL0030	130.1	150	19.9	25.60	22.22	69.16	0.428	0.013	0.001	3.72
	178.5	231.75	53.25	31.20	28.74	69.48	0.272	0.018	0.035	2.94
OL0031	32.8	39.4	6.6	13.64	18.89	66.90	0.490	0.015	0.017	5.53
	95.5	120.7	25.2	43.40	36.48	67.91	0.320	0.030	0.018	4.56
	124.6	129.75	5.15	47.16	39.74	66.26	0.410	0.039	0.009	5.99
	140.12	154	13.88	51.06	43.39	68.51	0.310	0.035	0.017	3.73

Source: Avocet

The two drilling programs completed on Olary Creek are shown in Figure 3:15 below.

Figure 3:15 Drilling program, Phase-1 & Phase 2, Olary Creek



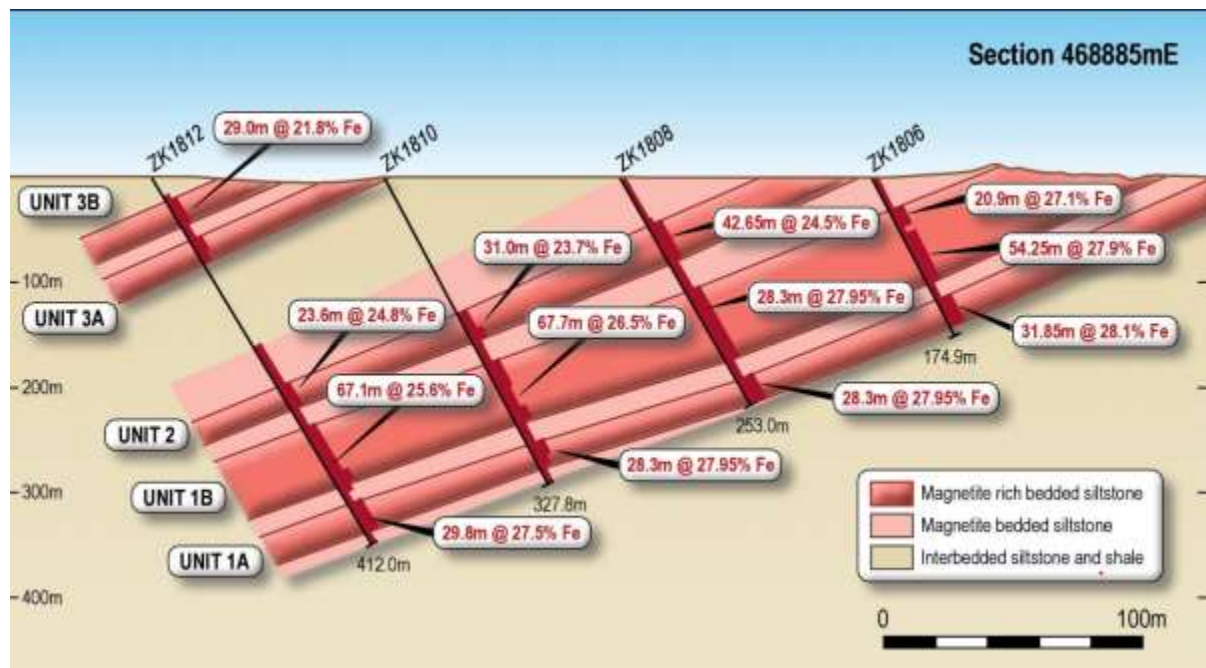
Source: Avocet

In addition to the drilling of boreholes, the joint venture also conducted a ground magnetic survey over the identified target area.

The survey was performed with a WCZ-1 Proton Magnetometer. Line spacing was 100 metres, point spacing 20 metres over an area of 10.85 km² between 467300mE and 470400mE and 6399700mN and 6403200mN (GDA94, MGA Zone 54).

The magnetic interpretation map highlighted three magnetic layers, arbitrarily named layers 1 to 3. (Figure 3:16) Iron ore layer 1 (bottom most, comprising sub units 1A and 1B) is the primary layer of interest for iron ore exploration, being the main target for drilling. The result of careful mapping shows that the magnetic intensity of each of the layers varies along strike. Particularly, layer 1 shows a large difference between the northern flank with highest magnetic intensity, and the southern flank, with comparatively low magnetic intensity. On the contrary, layer 2 (middle layer, single unit) displays the highest magnetic intensity on the southern flank.

Figure 3:16 Magnetic Interpretation Map, Olary Creek Project



Source: Avocet

3.4.5 Valuation

Salva considers Olary Creek to be an advanced exploration project prospective for non DSO iron ore. Given that Avocet has shifted its focus to the iron ore potential of this project, Salva has opted to value this based on its iron ore potential rather than uranium and base metals

Salva reviewed recent transactions involving early stage non DSO iron ore projects which are not situated in Western Australia. To obtain data set that is relevant to current time and circumstance, Salva has selected those transactions involving non DSO non WA iron ore assets that occurred during the past three years (Table 3:16). Most of these identified exploration projects are situated in South Australia and have similar characteristics of the exploration potential of the Olary Creek Project.

Table 3:16 Comparable Transactions, Olary Creek

Date	Project	Buyer	Seller	Location	Stake	Area (km ²)	Total Value (\$)	Transaction Value \$/km ²
Feb-10	Mountain Creek	Western Desert Resources Ltd	Tianda Resources (Australia) Pty Ltd	Northern Territory	70%	99.5	850,000	12204
Mar-11	Blythe project	Forward Mining Ltd	Iron Mountain Mining Ltd & Red River Resources Ltd	Tasmania	100%	324	2,550,000	7870
Jan-12	Giffen Well	WPG Resources via Giffen Iron Pty Ltd	Maosen Australia Pty Ltd	South Australia	100%	218	1,330,000	6101
Feb-10	Haw wood	Eastern Iron Ltd	Rugby Mining Ltd	Queensland	50%	520	1,400,000	5385
Aug-12	Olary Magnetite Project (EL3956 & EL4022)	Loadstone Equity Limited	Helix Resources Ltd	South Australia	33%	1335	1,500,000	3405
Dec-12	Field's Find	Mount Gibson Iron Limited	Royal Resources Ltd	South Australia	100%	250	500,000	2000
Jun-10	Ridge Exploration	Coltstar Ventures Inc.	D'Aguiar Gold Ltd	Queensland	100%	7000	5,007,090	715
Mar-10	Martins Well	Aldershot Resources Ltd	Strategic Minerals Corporation	South Australia	70%	784	357,143	651
Mar-10	Non-uranium rights to the Wild Horse Plains and Elbow Hill	Archer Exploration Ltd	UraniumSA Ltd	South Australia	100%	816	300,000	368
Median								3405
Average								4300

Salva has further selected only those transactions involving non DSO non WA projects with total area between 200 km² to 525 km² only given the size of Olary tenement (280 km²). The analysis of the Olary Creek Project relative to comparable transactions suggests that the valuation should be close to median value of these comparable transactions. Salva considers that the implied value of this project lies in the range of \$3,500/km² to \$7,000/km² with a preferred value of \$5,400/km². The summary of valuation of Olary Creek Project on the basis of market comparable is presented below.

Table 3:17 Valuation Summary, Olary Creek Project

Project	Tenement Size (km ²)	Selected value (\$/ km ²)			Project value (\$ 000)		
		Low	High	Preferred	Low	High	Preferred
Olary Creek Project	280	3,500	7,000	5,400	980	1,960	1,512
Olary Creek Project - Avocet Share (25%)					245	490	378

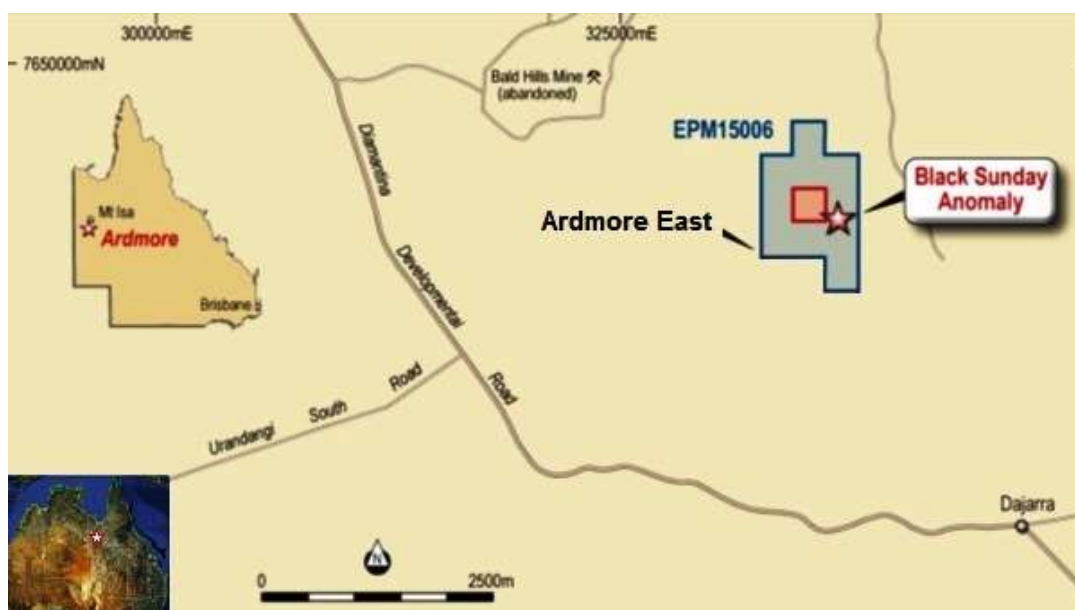
3.5 Ardmore and Westmoreland Uranium Project

3.5.1 Location and Tenure

Ardmore Uranium Project

The Ardmore Uranium Project, consist of the Ardmore East tenement, is located around 80 km south east of Mount Isa in Queensland, close to Dajarra Township. The Ardmore Uranium Project consists of 10 granted blocks and covers an area of around 32 km². Several uranium anomalies has been identified in the Ardmore Project area, with Black Sunday Anomaly (Figure 3:17) being the major one. The Ardmore Project area is readily accessed via the Diamantina Development Road.

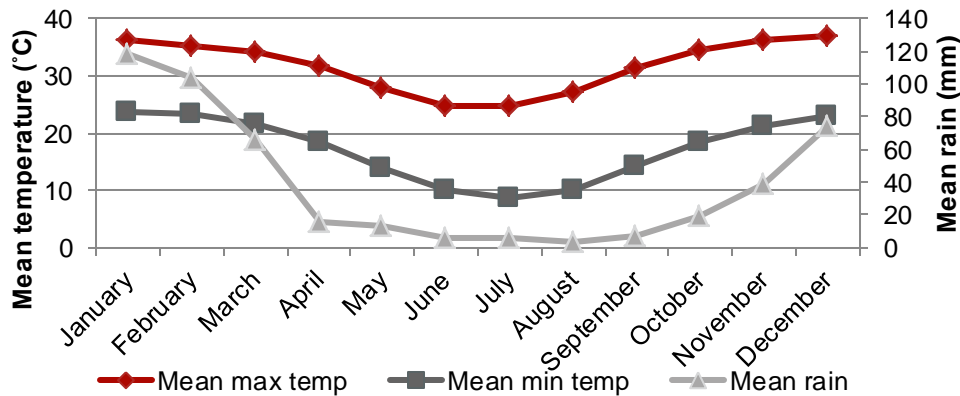
Figure 3:17 Ardmore Uranium Project Location



Source: Avocet Resources, Salva Resources

The area has a hot semi-arid climate with cool winters with temperatures down to 8°C (May – August) and very hot summers with temperatures up to 40°C (November – March). The annual rainfall is 450 - 470 mm per year which generally occurs in the wet season (December- March), the rest of the year is very dry (Figure 3:18).

Figure 3:18 Climate, Ardmore Uranium Project



Source: *Weatherzone.com.au* Salva Resources

The Ardmore Uranium Project is 100% owned by Avocet Resources. The tenement schedule is given in the Table 3:18 below.

Table 3:18 Ardmore Uranium Project Tenement

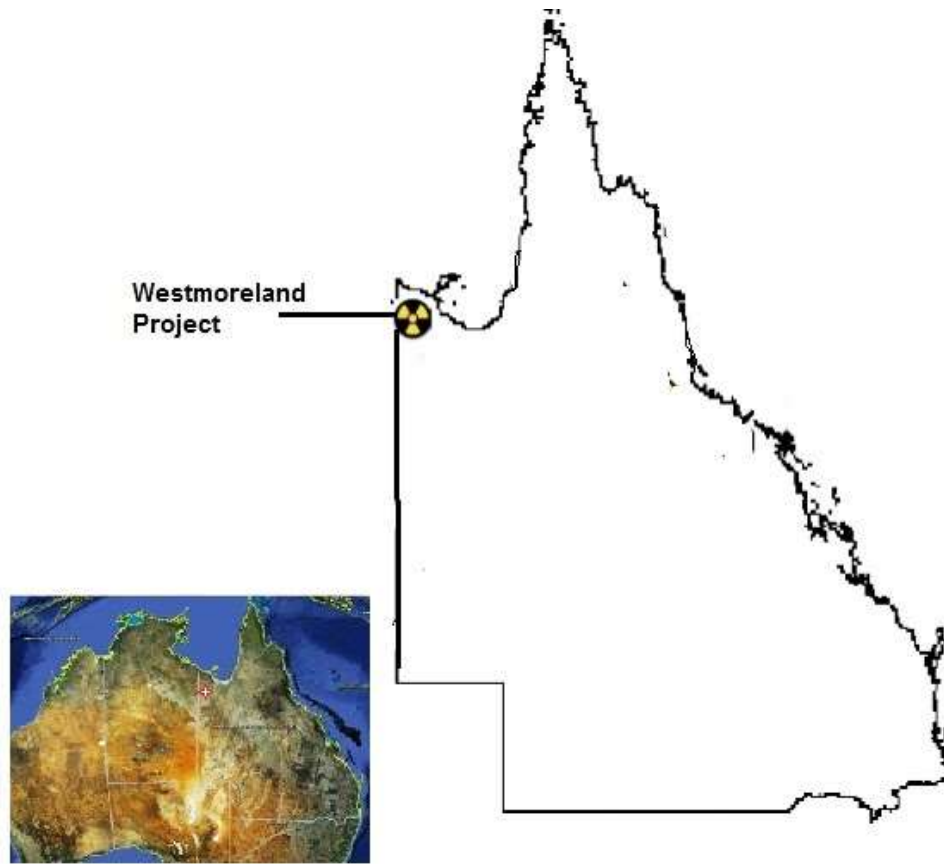
Tenement number	Grant Date	End Date	No of Blocks	Total Area (km2)	Holder's Name
EPM 15006	08/01/2007	07/01/2015	10	32	Avocet Resources Limited

Westmoreland Uranium Project

The Westmoreland Uranium Project, is comprised of two granted tenements, Eleven Mile (EPM 16010) & Westmoreland East (EPM 14964), is located 15km south east of Westmoreland Homestead in the north western part of Queensland, near the Northern Territory border. It is located immediately east and north-east of the Westmoreland Uranium deposits and is situated approximately 400 km north-west of Mount Isa, Queensland (Figure 3:19).

The Westmoreland Project area can be accessed both from the city of Mt Isa, which has an airport and from Karumba which has a port facility. Karumba can be accessed via the town of Burketown (130, km, SW), which is located near the coast on the Burke River.

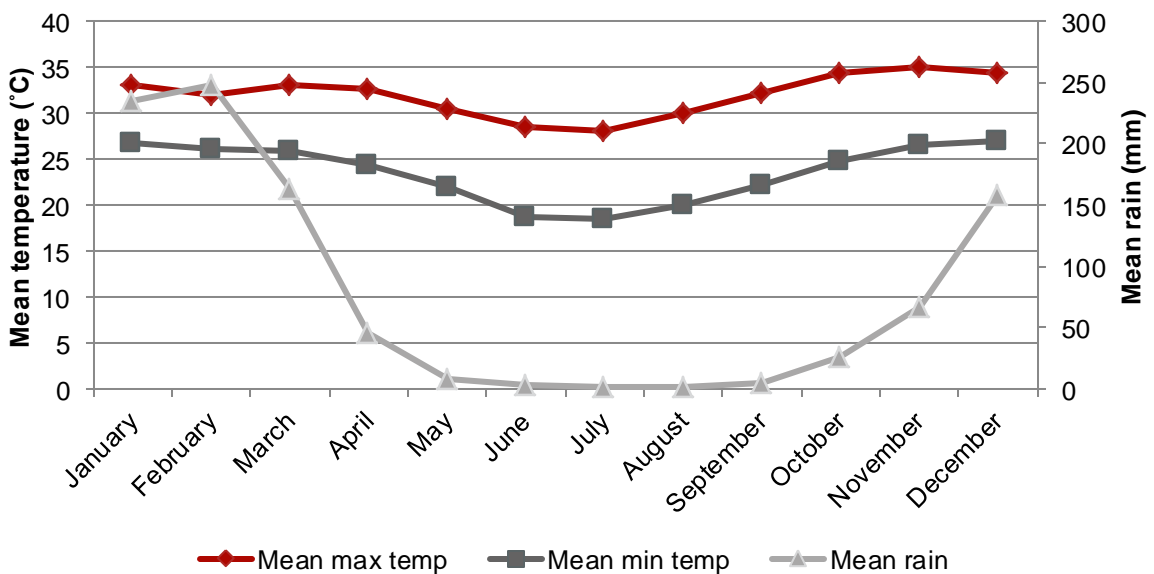
Figure 3:19 Westmoreland Uranium Project Location



Source: GoogleMap,foe.org.au

The area has a hot tropical climate with cool winters with temperatures down to 8°C (May – August) and very hot summers with temperatures up to 35°C (November – March). The annual rainfall is 450-470 mm per year which generally occurs in the wet season (December- March), with January and February being the wettest months (Figure 3:20).

Figure 3:20 Climate, Westmoreland Uranium Project



The Westmoreland Uranium Project is 100% owned by Avocet. The tenement schedule is given in Table 3:19 below.

Table 3:19 Westmoreland Uranium Project Tenements

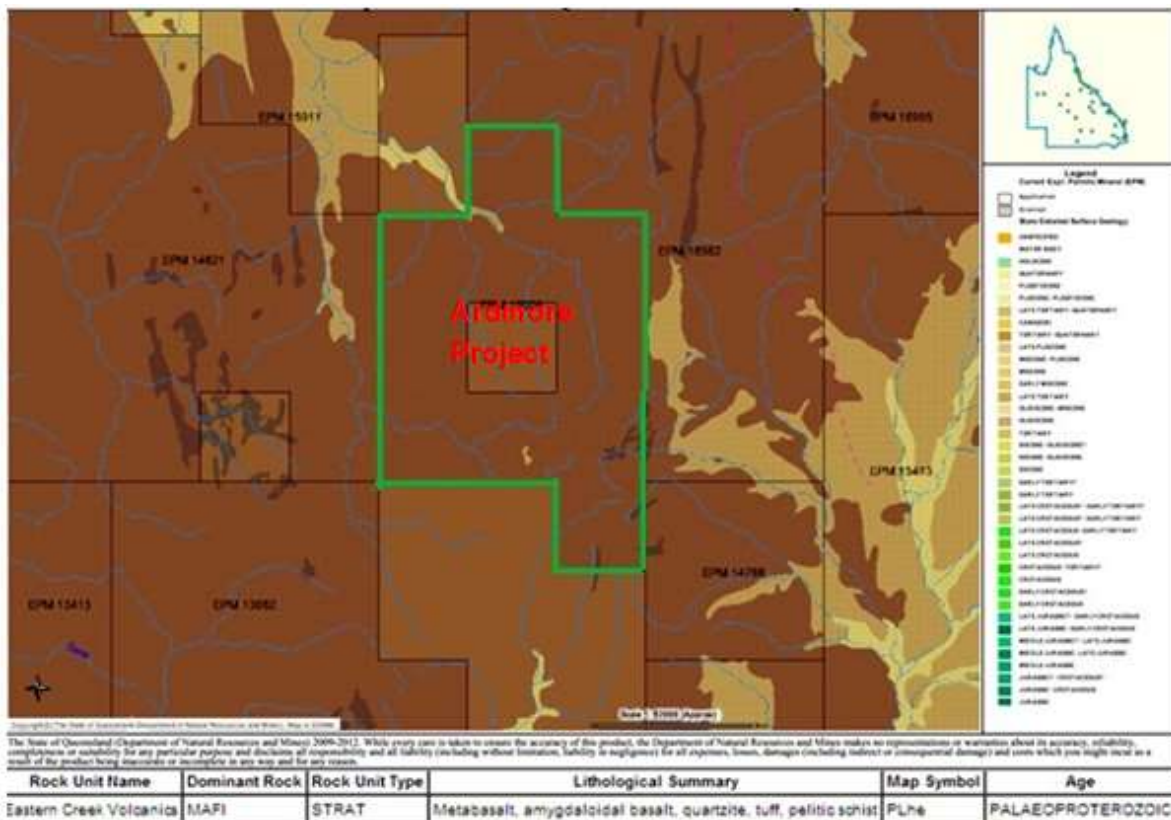
Tenement number	Grant Date	End Date	No of Blocks	Total Area (km2)	Holder's Name
EPM 16010	17/09/2008	16/09/2013	18	57	Avocet Resources Limited
E PM 14964	20/11/2007	19/11/2013	35	110	Avocet Resources Limited

3.5.2 Geological Setting and Mineralisation

Ardmore Uranium Project

The Ardmore Uranium Project area is located within the Eastern Creek Volcanic sequence of the Mt Isa Inlier of Northwest Queensland. The Eastern Creek sequence is a dominant unit of the Western Succession and is comprised of a series of Cu-rich tholeiitic basalts, which is interpreted to have erupted into a continental rift now expressed as the Leichardt River Fault (Geoscience Australia, 2012). Underlying the volcanics are sandstone units of the Haslingden Group most notably the Mount Guide Quartzite (U3O8 Limited). The Eastern Creek sequence trends north-south and is approximately 1100m in strike length. The general surface lithology consists of metabasalts, amygdaloidal basalt units, quartzite, tuffs and pelitic schist (Figure 3:21).

Figure 3:21 Generalised Surface Geology - Ardmore Uranium Project



Source: dme.ald.gov.au, Salva Resources

Uranium mineralisation in the Ardmore Uranium tenement is thought to be similar to other uranium occurrences in the district, namely Valhalla, Skal and Andersons Lode. Uranium mineralisation at the Valhalla Deposit (16.3 Mt @ 0.081% U₃O₈ Measured) is hosted by highly altered tuff and shale, and is structurally controlled by albite-carbonate-haematite breccias and mylonites (Paladin Energy Limited, 2012). The Skal Deposit consists of a number of moderately dipping mineralised lenses associated with quartz veins and albitised siltstones. Skal has an Indicated Resource of 14.3 Mt @ 0.064 U₃O₈ (Paladin Energy Limited, 2012). Recent geophysical anomalies have identified a number of targets which have comparable signatures to the Valhalla Deposit (U3O8 Limited).

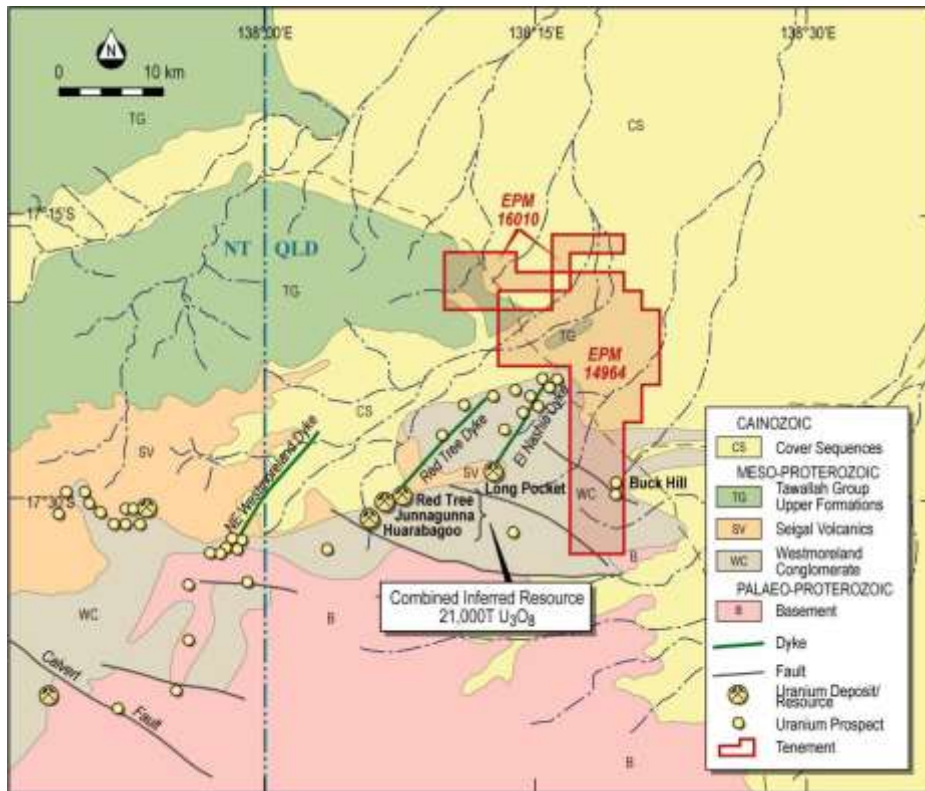
Westmoreland Uranium Project

The Westmoreland Uranium Project tenement is located within the Carpentaria-Karumba Basin in Northwest Queensland, approximately 400 km Northwest of Mt Isa. The basin area geology is dominated by Cainozoic cover overlying Meso-Proterozoic sedimentary and volcanic rocks of the Westmoreland Conglomerate, Seigal Volcanics and Tawallah Group (Figure 3:22). The Westmoreland Conglomerate is approximately 1800m thick and is comprised of debris flows and alluvial fans overlain by medium to coarse-grained, well-sorted sandstones (Porter 2006). The Seigal Volcanics conformably overlies the Westmoreland Conglomerate and is composed primarily of basaltic lavas.

The Westmoreland Uranium Project area targets are hard rock uranium mineralisation in the eastern continuation of the Westmoreland Conglomerate, and roll front palaeochannel mineralisation in the Cainozoic sands further east and north-east, analogous to those in the Frome Embayment of South Australia, where the Beverley and Honeymoon deposits are located.

Two known hard rock occurrences in extensions to the Westmoreland Conglomerate are known within EPM 14964 at Buck Hill and Buck Hill Fault: To the southwest of the tenement package are three known uranium Resources: Red Tree, Junnagunna and Huarabagoo. Mineralisation at Red Tree, Junnagunna and Huarabagoo is delineated by uraniferous haematite breccias and shear zones between coarse argillaceous sandstones with conglomerate lenses and dolerite dykes (U3O8 Limited). Laramide Resources, currently involved in exploration and development of uranium resources in Westmoreland Area, has reported JORC/NI 43-101 resource of 51.9 million pounds (36 lbs. indicated) of uranium (U₃O₈) with average grade of 0.089% (890ppm).

Figure 3:22 Generalised Surface Geology of the Westmoreland Uranium Project



Source: AvocetResources

3.5.3 Recent Exploration

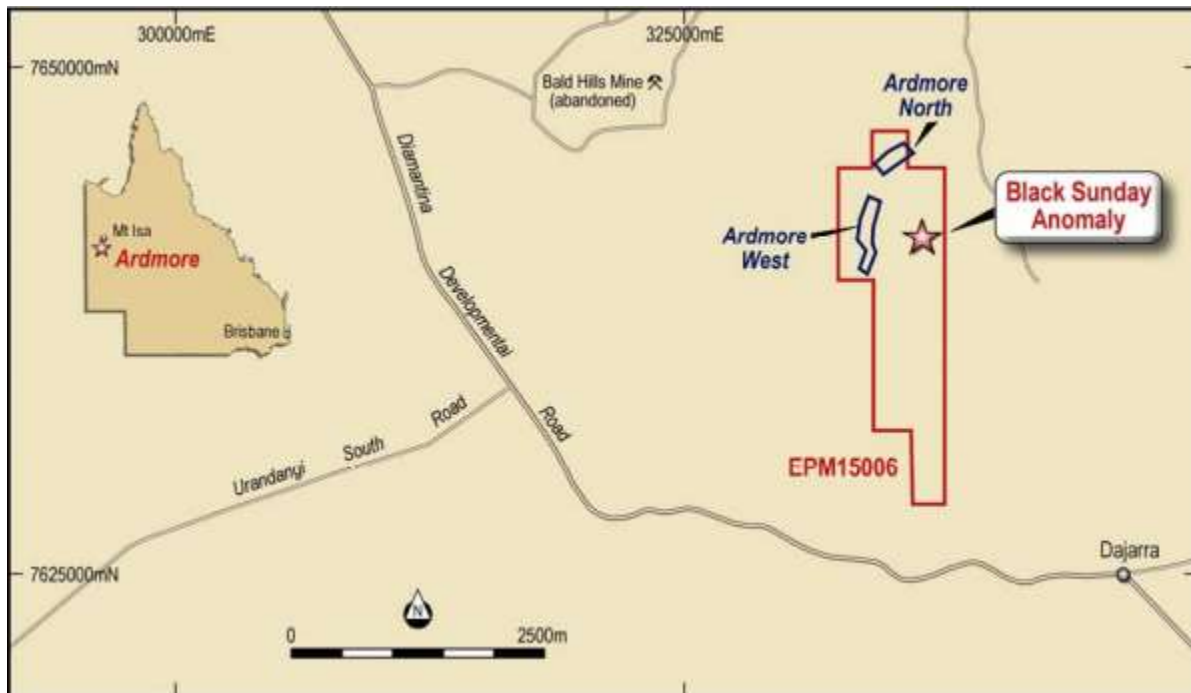
Ardmore Uranium Project

2009-10

During 2009 a field reconnaissance program was conducted on the Ardmore Uranium Project site after completion of the radiometric survey completed by the Avocet which identified several radiometric anomalies. A number of rock chip samples were collected. Most of the site samples had visible evidences of uranium mineralisation. In addition to this, high grade copper mineralisations were also identified at two locations.

33 rock chip samples for geochemical analysis were collected from radiometric anomalies .Of the 33 samples collected, 20 returned assays greater than 0.05% U₃O₈, of which 10 were greater than 0.10% U₃O₈, to a maximum of 0.54% U₃O₈ (Table 3:20). Additionally, these samples were associated with significant vanadium to a maximum of 1.04% V₂O₅ Two samples returned significant copper results of 5.92% and 4.78% Cu. These samples were taken from the site where there were no records of pervious exploration. Avocet Resources (at this time U308 Limited) was able to locate two key prospects in the area these two key prospects were Ardmore North and Ardmore West (Figure 3:23).

Figure 3:23 Key Prospects, Ardmore Uranium Project, 2010



Source: AvocetResources

Table 3:20 Ardmore Uranium Project Rock Chip Sampling Results, 2010

Sample No	Coordinates		Cu	V ₂ O ₅	U ₃ O ₈	Prospect
1226	336032E	7620934	5.92	-	0.02	Ardmore North
1227	336029	7620914	4.78	0.02	-	Ardmore North
1229	336019	7620895	-	0.09	0.11	Ardmore North
1232	335102	7620268	-	0.19	0.19	Ardmore North
1233	335061	7620254	-	0.21	0.17	Ardmore North
1238	336887	7610419	-	0.27	0.08	Ardmore West
1242	334482	7618293	-	0.33	0.07	Ardmore West
1243	334483	7618276	0.05	0.24	0.05	Ardmore West
1244	334483	7618284	-	0.43	0.28	Ardmore West
1248	333923	7616566	-	0.21	0.11	Ardmore West
1249	333926	7616567	-	0.24	0.07	Ardmore West
1302	334406	7615847	-	0.28	0.14	Ardmore West
1305	334352	7615886	0.04	0.13	0.22	Ardmore West
1307	334006	7616869	0.01	0.2	0.54	Ardmore West

Source: AvocetResources

Based on favorable results from the rock chip sampling program, Avocet decided to complete an archeological heritage clearance survey, followed by a reverse circulation (RC) drilling program. The archeological heritage clearance survey was completed during Q2 of 2010, which cleared

the way for RC drilling program. The prime target for the RC drilling program was the Ardmore West Prospect.

The RC drilling program was commenced in October 2010 and fifteen (15) RC holes for a total of 899 meters were drilled by December 2010. These drill holes were targeted on three anomalies identified on the Ardmore West Prospect. The RC drill results confirmed the presence of uranium mineralisation. The results of RC drilling campaign have been presented in Table 3:21.

Table 3:21 RC Drilling program, Ardmore Uranium Project

Hole No	Coordinate			Intersection			
	N	E	Depth	Interval		U3O8(ppm)	V2O5(ppm)
ARC001	7615846	334381	60	12-16 m	4m@	338	969
				45-51	6m@	384	2285
ARC002	7615869	334388	51	0-4	4m@	202	391
				41-44	3m@	456	284
ARC004	7615757	334395	48	17-20	3m@	702	1660
Including				17-18	1m@	1580	2517
				27-29	2m@	314	1166
ARC005	7615752	334422	102	39-40	1m@	1627	1707
Including				87-92	5m@	708	680
				88-90	2m@	1421	1071
				94-96	2m@	244	557
ARC008	7615740	334313	48	7-Aug	1m@	285	771
ARC010	7615844	334422	48	21-22	1m@	1545	1612
ARC011	7615840	334442	99	38-39	1m@	202	839
ARC014	7618390	334345	42	24-26	2m@	199	2589
ARC015	7618391	334358	71	26-30	4m@	257	2606
				61-63	2m@	218	1282

Source: AvocetResources

2011-2012

In the June 2011 Quarter, Avocet completed its second program of reverse circulation drilling. In total, 10 holes were drilled for an advance of 722 metres. These drill holes were targeted on extension of the prospect they had drilled before. Avocet continued its exploration for the Ardmore East tenement with prime focus on the Black Sunday Prospect. The Black Sunday Prospect had been identified as a big uranium anomaly which is over 500 metres long and 200 metres wide. The uranium mineralisation at the Black Sunday anomaly is located on the upper contact between an altered basic tuff and Mount Guide Quartzite. The primary uranium mineralisation is brannerite, with secondary mineralisation as carnotite, tyuyamunite and meta-autunite. At the Black Sunday Prospect, the uranium mineralisation is open ended with costean intersections of 6.5m @ 0.21% U and 3.0m @ 0.33% U.

Avocet commenced a structural and geological mapping program along with soil and rock chip sampling on the Ardmore Uranium Project which was followed by two phases of reverse circulation drilling on radiometric anomalies parallel to, but to the west of Black Sunday.

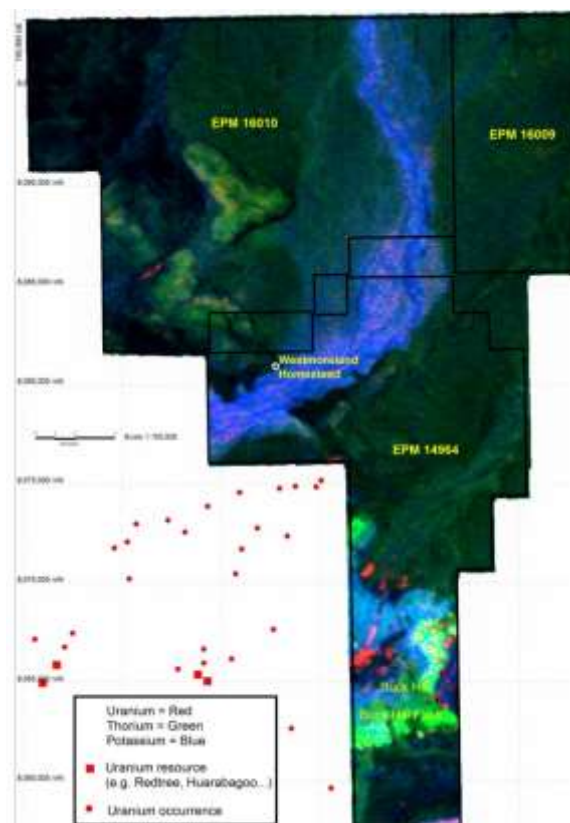
A total of 123 soil samples and five rock chip samples of quartz veining were collected from the quartz veins present at the western area of exploration license. Most of the soil samples were taken from western area where three radiometric anomalies were recorded and eastern area covering the Black Sunday prospect along with the area extends in strike to the north and south. The result from the most samples returned low uranium concentration. However, one of the samples resulted 67 ppm U_3O_8 at south of the Black Sunday Prospect.

Westmoreland Uranium Project

2007-2008

Avocet began systematic exploration of the Westmoreland Uranium Project in 2007 when it conducted an airborne radiometric/magnetic survey of an area which covered a distance of approximately 9000 line km. The survey identified a number of significant anomalies, particularly in the southern part of EPM 14964. A number of new uranium anomalies were identified on the project area. Preliminary analysis of the uranium channel indicated the potential for the Tertiary age sediments to host palaeochannel style uranium mineralisation, similar to that seen at the Beverley uranium mine in South Australia (Figure 3:24).

Figure 3:24 Westmoreland Radiometric Survey



Source: AvocetResources

2009-12

Avocet had a heritage clearance completed on the more prospective parts of the project area. Unfortunately, the agreement between Avocet and the Carpentaria Land Council could not be reached on access to some of the priority areas and as such, Avocet decided to concentrate on other highly prospective tenements in its portfolio.

3.5.4 Valuation

Salva has used the recent transaction data set involving early stage uranium projects for valuation of the Ardmore Uranium and Westmoreland Uranium Projects. Salva identified twelve (12) transactions as broadly relevant to the valuation of this project, which are outlined in Table 3:22. All transactions were for early stage uranium exploration assets.

Table 3:22 Comparable Transactions, Ardmore & Westmoreland Uranium Projects

Date	Project	Buyer	Seller	Location	Interest	Area (km ²)	Transaction Value (\$/km ²)
May-10	Lakes	Cameco	Red Metal	SA	51%	2204	15,500
Sep-10	Punt Hill	Monax Mining	Antofagasta Plc.	SA	70%	1278	11,200
Aug-10	Stuart Shelf	Uranium Exploration Australia	Straits Resources	SA	70%	3314	4,300
Aug-10	West Lake Frome	Cauldron Energy	Uranium Equities,	SA	80%	2263	2,600
Aug-10	Wynbring	Fission Energy	Marmota Energy	SA	100%	435	2,300
Oct-10	Tropicana Belt	Sirius Resources	Mr. Mark Creasy	WA	70%	2300	1,714
Oct-12	Spinifex uranium Project	Resource Star	Thundelarra Exploration	WA	100%	119	1,714
May-11	Mt Phillips , Hector Bore, Stanley, Nabberu, Hyden	China Coal Geology	Undisclosed	WA	60%	3088	1,079
Jun-11	Allambi Tenement-NT	Pakar Resources NL	Excelsior Gold Limited	NT	70%	702	967
Nov-11	Rundall East	Marmota Energy	Teck Australia Pty Ltd	WA	51%	2736	738
Nov-11	Pine Creek, West Arnhem, Arunta and Tanami Tenements	Eclipse Uranium	Central Energy Pty	NT	100%	17428	141
Feb-10	Waterfold	China Yunnan Copper	Carpentaria Exploration	Qld	100%	317	63
Average							3,526
Median							1,714

The analysis of uranium transactions has indicated a strong inverse relationship between total area and the unit transaction value (\$/km²) (Hinzer, 2006). Salva's analysis of transactions suggests that, size of deposits does have a profound effect on its unit values, as trend line in the chart above is plunging downwards. However, once sufficient exploration is carried out on deposits, the factor associated with the exploration results do play larger role. In Salva's opinion,

considering the low level of exploration activity carried out in the Westmoreland Uranium Project, the valuation of Westmoreland Uranium Project will be in the range of \$500/km² to \$1,500/km² with a preferred value of \$1,000/km².

The Westmoreland region hosts other deposits also with an Inferred Resource of 17.4 million tonnes @ 0.12% U₃O₈. Initial exploration work by the company indicates the continuation of uranium mineralisation within the Avocet's tenements. Salva considers the Ardmore mineral exploration area to be highly prospective for hosting high grade uranium deposit. Considering this, Australian early stage uranium projects similar to the Ardmore Uranium Project may attract a market value in the range of \$4,300 to \$11,200/km² with a preferred value of \$7,750 /km².

A summary of Salva's market based valuation is presented in Table 3:23 below.

Table 3:23 Valuation Summary, Ardmore and Westmoreland Uranium Project

Project	Tenement Size (km ²)	Selected value (\$/ km ²)			Project value (\$ 000)		
		Low	High	Preferred	Low	High	Preferred
Ardmore Uranium Project	32	4,300	11,200	7,750	138	358	248
Westmoreland Uranium Project	167	500	1,500	1,000	84	251	167
					221	609	415

4 Declaration

4.1 Independence

Salva Resources is a privately owned and operated mining and resource industry consultancy providing independent, strategic and tactical advice and personalised professional services to exploration and mining companies, engineering firms, financial institutions and investors. In addition, Salva Resources confirms its independence for the purpose of the Australian Securities and Investment Commission's Regulatory Guide 112 – Independence of experts (ASIC, 2011). Salva Resources operates through its offices in Australia, Indonesia, India and United Kingdom. Our corporate services include technical audits, project reviews, valuations, independent expert reports, project management plans and corporate advice.

Salva Resources personnel have extensive experience in the preparation of independent valuations for a variety of commodities including coal, gold, base metal, platinum, diamonds and iron. This report has been prepared independently and in accordance with the VALMIN Code. The authors do not hold any interest in the Avocet, related parties, or in any of the mineral properties or interested parties, which are the subject of this report. Fees for the preparation of this report are being charged at Salva's standard rates, whilst expenses are being reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

4.2 Qualifications

Manish Garg | Director – Salva Consult

Manish has over 24 years' experience in mining operations, marketing, corporate roles and consulting. Before joining Salva Resources, Manish managed business analysis, planning and improvement functions at Rio Tinto, BHP Billiton, WMC Resources, Oceanagold and Pasminco apart from working as Site Manager at base metal operations. Manish's experience includes market intelligence, due diligence, metal and concentrate marketing, valuation, strategic planning and optimising business performance. He seeks to enhance business performance and profitability by analysing business performance and deploying appropriate business planning and improvement systems. Manish has managed and worked on due diligences, feasibility studies and reviews for banks, financial investors and mining companies on worldwide projects including Australia, New Zealand, India, South Africa, Congo, Zambia, Kazakhstan, Peru & Bolivia. Manish is a BEng (Hons) (Minerals Engineering), Master of Applied Finance, and a member of the AusIMM.

Mark Davis | Principal Consultant – Geology

Mark has more than 30 years of geological experience in industry with Schlumberger, DoE and Anglo American and consulting with GMSI, SRK and Salva. His core skills include: Continental deposit targeting for commodities such as diamonds, base and precious metals and industrial materials. Mark also has oil & gas exploration experience. He seeks to enhance project development from grass roots to feasible projects worldwide and his experience has included working in South Africa, Botswana, Angola, Republic of Congo, Democratic Republic of Congo, Zambia, Mozambique, Tanzania, Uganda, Nigeria, Ivory Coast, Ghana, Sierra Leone, Mauritania,

Egypt, UAE, Iran, Turkey, Hungary, UK, Norway and Russia. Mark is a B.Sc. (Hons) (Geology) M.Sc. (Geology) and is a fellow of the GSL and SEG. Mark is a registered CGeo and EuroGeo.

Mark is a Non-executive Director of the London Market; PLUS, listed company – Consolidated Africa Mining Plc. This company is a cash shell and has no active funds or projects and is presently in the process of being sold.

5 References

- ASIC, 2011. Regulatory Guide 112: Independence of Experts. Australian Securities & Investments Commission [online]. Available from: [http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/rg112-30032011.pdf/\\$file/rg112-30032011.pdf](http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/rg112-30032011.pdf/$file/rg112-30032011.pdf) [Accessed 22 August 2012].
- CIMVAL, 2003, Standards and Guidelines for Valuation of Mineral Properties, The CIMVAL Committee of the Canadian Institute of Mining, Metallurgy and Petroleum [online]. Available from: http://www.cim.org/committees/CIMVal_Final_Standards.pdf [Accessed: 09 August 2012].
- Department of Mines of Petroleum, Government of Western Australia <http://www.dmp.wa.gov.au/7113.aspx> [Accessed: 09 January 2013]
- Department of Natural Resources and Mines, Government of Queensland <http://mines.industry.qld.gov.au/> [Accessed: 09 January 2013]
- Department of Manufacturing, Innovation, Trade, Resources of Energy, Government of South Australia <http://www.pir.sa.gov.au/minerals> [Accessed: 09 January 2013]
- Emperor 2000: Tuvatu Gold Mining Company in-house feasibility study, Emperor Mines Limited unpublished report.
- Etheridge, M A, 2009. The Black Art of Valuing Mineral Properties, paper presented to Mineral Asset Reporting and Valuation Seminar, Perth 18 October 2009 [online]. Available from <http://aig.org.au/conferences-and-seminars/marv09> [Accessed 04 December 2011].
- Goulevitch, J and Eupene GS, 1994. Geoscience Rating for Valuation of Exploration Properties – Applicability of the Kilburn Method in Australia and Examples of its Use, in *VALMIN'94: Mineral Valuation Methodologies 1994*, (pp. 175-190). Sydney, Australia: Australasian Institute of Mining and Metallurgy and the Mineral Industry Consultants Association
- Goria S, 2004. Evaluation d'un projet minier : approche bayésienne et options réelles, PhD thesis [online]. Available from: <http://www.cerna.ensmp.fr/Documents/SG-These.pdf> [Accessed 4 August 2012].
- Grant R, 1994. The Comparable Sales (Real Estate) Method of Valuation. *VALMIN'94: Mineral Valuation Methodologies 1994*, (pp. 155-165). Sydney, Australia: Australasian Institute of Mining and Metallurgy and the Mineral Industry Consultants Association.
- Guj, P and Garzon, R 2007. Modern Asset Pricing – A Valuable Real Option Complement to Discounted Cash Flow Modelling of Mining Projects. *Project Evaluation Conference Proceedings*, 113-120, Australasian Institute of Mining and Metallurgy.
- Hinjer, J. 2006 A Presentation on Market Based Valuation Practices in the Canadian Minerals Industry, November, 2006. www.mlr.gov.cn

- JORC, 2004. Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code – 2004 Edition [online], The Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia. Available from: http://www.jorc.org/pdf/jorc2004web_v2.pdf [Accessed: 15 July 2012].
- Kilburn L C, 1990. Valuation of Mineral Properties which do not Contain Exploitable Reserves; CIM Bulletin, 83:90-93.
- Lord, D, Etheridge M A, Wilson M, Hall G and Uttley P, (2001). *Measuring Exploration Success: An alternative to the discovery – cost – per – ounce method of quantifying exploration effectiveness*. Society of Economic Geologist Newsletter, No 45, April 2001.
- Lion One Metals Investor Presentation , November 2012 , Tuvatu Gold Project, Fiji's Awakening Gaint.
- Lutherborrow, C.H. 2010: Independent Technical Report – The Tuvatu Gold Deposit. Unpublished Report prepared by Ziloc Pty Ltd.
- Ministry of Land and Mineral Resources, Fiji Minerals Resources Department
- Onley P G, 1994. Multiples of Exploration Expenditure as a Basis for Mineral Valuation, in *VALMIN94:Mineral Valuation Methodologies 1994*, pp191-197 (Mineral Industry Consultants Association, The Australian Institute of Mining and Metallurgy; Sydney).
- P&E Mining Consultants Inc, 2010 Technical Report and Resource Estimate on The Tuvatu Gold Property, Viti Levu, Fiji (NI-43-101, Technical Report)
- Tyler M. and Thorne A. M. 1990 The northern margin of Capricorn Orogen, Western Australia- An Example of an Early Proterozoic collision zone.
- U3O8 , Quarterly Activities Report Released on ASX
- Vigar, A,2000 : Geology and grade model of Tuvatu Project. Fiji , Unpublished report prepared by Vigar & Associates Brisbane dated April 2000.
- World Gold Council, Spot Price of gold.

Appendix A - Valuation Approaches and Methods

Valuation considerations

To ensure compliance with the ASX's listing rules and Australian Corporations Law, this report has been prepared in accordance with the VALMIN Code.

Under the VALMIN Code, mineral assets are classified according to their maturity. A *mineral asset* includes all property held for the purpose of near term or eventual mineral extraction, including but not limited to:

- real property
- intellectual property
- tenements, plant, equipment and associated infrastructure.

Most mineral assets can be classified as outlined in Table below.

Mineral asset classification

Project development stage	Criterion
Exploration areas	Mineralisation may or may not have been defined, but where a Mineral Resource has not been identified.
Advanced exploration areas	Considerable exploration has been undertaken and specific targets identified. Sufficient work has been completed on at least one prospect to provide a good geological understanding and encouragement that further work is likely to result in the determination of a Mineral Resource.
Pre-development / resource	Mineral Resources and/or Ore Reserves have been identified estimated. A positive development decision has not been made. This includes properties where a development decision has been negative and properties are either on care and maintenance or held on retention titles.
Development	Committed to production but not yet commissioned or not initially operating at design levels.
Operating	Mineral properties, in particular mines and processing plants, which have been fully commissioned and are in production.

Source: VALMIN, 2005

Under the VALMIN Code, *value* is the fair market value of a mineral asset (2005). Fair market value is the amount of money or the cash equivalent that a willing buyer and seller would exchange on the valuation date in an arm's length transaction (VALMIN, 2005). Each party is assumed to have acted knowledgeably, and without compulsion. In essence, fair market value is comprised of:

- Underlying or 'technical value' - a mineral asset's future economic benefit under a set of assumptions, excluding any premium or discount for market, strategic, or other considerations
- Market component - a premium relating to market, strategic or other considerations, which can be either positive, negative, or zero.

The market value should include all material information to the asset. For projects with extensive technical detail, the valuer determines materiality of information based on whether its inclusion would result in the valuation reaching a different conclusion.

There is no single method of valuation which is appropriate for all situations. Rather, there are several valuation methods, each of which have some merit and are more or less applicable depending on the circumstances. Mineral assets are generally valued based on approaches that assess income, cost, and the open market. As the VALMIN Code is not prescriptive in this regard, the 2008 Edition of The South African Code for the Reporting of Mineral Asset Valuation (SAMVAL) and the Canadian 2003 Edition of the Standards and Guidelines for Valuation of Mineral Properties (CIMVAL) provide insight into applicable approaches, as shown in the table below.

Valuation approaches for different types of mineral assets

Approach	Project development stage			
	Exploration	Resource	Development	Operating
Income	No	Rarely	Yes	Yes
Cost	Yes	Rarely	No	No
Market	Yes	Yes	Yes	Yes

Source: CIMVAL, 2003

Market-based approach

The market-based approach uses the transaction prices of projects in similar geographical, geopolitical, and geological environments to derive a market value using a process similar to that in the real estate industry (CIMVAL, 2003). The market-based approach may use the assumption either of joint venture terms or outright acquisitions, and can be presented in range of unitised values including on a dollar per ounce or tonne of contained metal/mineral; dollar per square kilometre; or as a percentage of the prevailing commodity price.

In the Salva’s opinion, a market-based approach is well suited to establishing a likely value for mineral deposits and exploration projects, as it inherently takes into account all value drivers.

Related comparable transactions

Recent comparable transactions can be relevant to the valuation of projects and tenements. While it is acknowledged that it can be difficult to determine to what extent the properties and transactions are indeed comparable, unless the transactions involve the specific parties, projects or tenements under review, this method can provide a useful benchmark for valuation purposes. The timing of such transactions must be considered as there can be substantial change in value with time.

Salva has considered whether any comparable relevant transactions have taken place in recent years which can be used as a basis for estimation of value of the mining assets assessed herein.

As no two mineral assets are the same, the Expert must be cognisant of the quality of the assets in the comparable transactions, with specific reference to:

- the grade of the resource;
- the metallurgical qualities of the resource;
- the proximity to infrastructure such as an existing mill, roads, rail, power, water, skilled work force, equipment, etc.;
- likely operating and capital costs;
- the amount of pre-strip (for open pits) or development (for underground mines) necessary;
- the likely ore to waste ratio (for open pits);
- the size of the tenement covering the mineral asset; and
- the overall confidence in the resource.

Alternative offers and joint venture terms

If discussions have been held with other parties and offers have been made on the project or tenements under review, then these values are certainly relevant and worthy of consideration. Similarly, joint venture terms where one party pays to acquire an interest in a project, or spends exploration funds in order to earn an interest, provide an indication of value.

Rules of thumb or yardsticks

Certain industry ratios are commonly applied to coal mining projects to derive an approximate indication of value. The most commonly used ratios are dollars per tonne of coal in resources, dollars per tonne of coal in reserves, and dollars per tonne of annual production. The ratios used commonly cover a substantial range which is generally attributed to the 'quality' of the coal, the infrastructure to reach markets and the status of the tonnes estimates. Low cost of production tonnes are clearly worth more than high cost tonnes. Where a project has substantial future potential not yet reflected in the quoted resources or reserves a ratio towards the high end of the range may be justified.

Other Expert Valuations

Where other independent experts or analysts have made recent valuations of the same or comparable properties, these opinions clearly need to be reviewed and to be taken into consideration.

Cost-based approach

Appraised Valuation or Multiple of exploration expenditure method (MEE)

Past expenditure, or the amount spent on exploration of a tenement is commonly used as a guide in determining the value of exploration tenements, and 'deemed expenditure' is frequently the basis of joint venture agreements. The assumption is that well directed exploration has added value to the property. This is not always the case and exploration can also downgrade a property and therefore a 'prospectively enhancement multiplier' (PEM), which commonly ranges from 0.5-3.0, is applied to the effective expenditure. The selection of the appropriate multiplier is a matter of experience and judgement.

To eliminate some of the subjectivity with respect to this method, Salva applies a scale of PEM ranges as follows to the exploration expenditure:

Prospectively enhancement multipliers

PEM	Rationale
0.5 -1.0	Previous exploration indicates the area has limited potential
1.0 -1.5	The existing (historical and/or current) data consists of pre-drilling exploration and the results are sufficiently encouraging to warrant further exploration.
1.5 -2.0	The prospect contains one or more defined targets warranting additional exploration.
2.0 -2.5	The prospect has one or more targets with significant drill hole intersections.
2.5 -3.5	Exploration is well advanced and infill drilling is required to define a resource.
5.0	A resource has been defined but a (recent) pre-feasibility study has not yet been completed

Source: Salva Resource

Over-riding any mechanical or technical valuation method for exploration ground must be recognition of prospectivity and potential, which is the fundamental value in relation to exploration properties.

Over-riding any mechanical or technical valuation method for exploration ground must be recognition of prospectivity and potential, which is the fundamental value in relation to exploration properties.

Annexure B

Investigating Accountant's Report



KPMG Transaction Services

A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
235 St Georges Terrace
Perth WA 6000

GPO Box A29
Perth WA 6837
Australia

ABN: 43 007 363 215
Telephone: +61 8 9263 7171
Facsimile: +61 8 9263 7129
www.kpmg.com.au

The Directors
Avocet Resources Limited
3rd floor
33 Ord Street
West Perth WA 6005

17 April 2013

Dear Directors

Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Avocet Resources Limited ("Avocet") to prepare this report for inclusion in the Scheme Booklet to be dated 17 April 2013 ("Scheme Booklet"), and to be issued by Avocet, in respect of the proposed merger with Lion One Metals Ltd ("Lion One") via a scheme of arrangement.

Expressions defined in the Scheme Booklet have the same meaning in this report.

Scope

KPMG Transaction Services has been requested to prepare a report covering the compilation of the summary pro forma historical balance sheet of the merged Avocet and Lion One group as at 31 December 2012 ("the Merged Group Summary Pro Forma Balance Sheet") described below and disclosed in the Scheme Booklet.

The Merged Group Summary Pro Forma Balance Sheet is presented in an abbreviated form in the Scheme Booklet insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

Review of compilation of Merged Group Summary Pro Forma Balance Sheet

The unaudited Merged Group summary pro forma historical balance sheet is set out in section 9.7 of the Scheme Booklet

The Merged Group Summary Pro Forma Balance Sheet has been derived from the Avocet historical balance sheet extracted from the reviewed financial statements of Avocet for the six month period to 31 December 2012, and the Lion One historical balance sheet extracted from the reviewed financial statements of Lion One for the six month period to 31 December 2012, after adjusting for the pro forma transactions and/or adjustments described in section 9.7(b) of the Scheme Booklet.

The financial statements of Avocet for the six months ended 31 December were reviewed by KPMG in accordance with Australian Auditing Standards. The review opinion issued to the members of Avocet relating to those financial statements were unqualified.

The financial statements of Lion One for the six months ended were audited by Lion One's external auditor in accordance with Australian Auditing Standards. The review opinion issued to the members of Lion One relating to those financial statements were unqualified.

For the purposes of preparing this report, we have reviewed the compilation of the Merged Group Summary Pro Forma Balance Sheet in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the Merged Group Pro Forma Balance Sheet has not been compiled on the basis of:

- the historical balance sheet of Avocet extracted from the reviewed financial statements of Avocet for the six month period to 31 December 2012 ("Avocet Historical Balance Sheet");
- the historical balance sheet of Lion One extracted from the reviewed financial statements of Lion One for the six month period to 31 December 2012 ("Lion One Historical Balance Sheet"); and
- the pro forma transactions and/or adjustments described in section 9.7(b) of the Scheme Booklet.

We have conducted our review in accordance with Australian Auditing Standards applicable to review engagements. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the Avocet Historical Balance Sheet from its reviewed financial statements for the six month period ended 31 December 2012, and those dealing with the extraction of the Lion One Historical Balance Sheet from its reviewed financial statements for the six month period ended 31 December 2012;
- consideration of the pro forma transactions and/or adjustments described in section 9.7(b) of the Scheme Booklet; and

- a comparison of consistency in application of the recognition and measurement principles under IFRS, and the accounting policies adopted by Lion One and disclosed in the Scheme Booklet; and
- enquiry of directors, management and others in relation to the Merged Group Summary Pro Forma Historical Balance Sheet.

Our review of the compilation of the Merged Group Summary Pro Forma Balance Sheet is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the compilation of the Merged Group Summary Pro Forma Balance Sheet.

We have not audited or reviewed the historical financial information extracted from the financial statements of Avocet and Lion One for the six months ended 31 December 2012 and we do not express any opinion, or make any statement of negative assurance, as to whether the Merged Group Summary Pro Forma Historical Balance Sheet is prepared or presented fairly, in all material respects, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and accounting policies disclosed in the Scheme Booklet.

Directors' responsibilities

The directors of Avocet are responsible for the preparation and presentation of the Merged Group summary pro forma balance sheet, including the determination of the pro forma transactions and/or the Adjustments.

The directors' responsibility includes establishing and maintaining internal controls relevant to the preparation of the financial information in the Scheme Booklet that is free from material misstatement, whether due to fraud or error.

Review statement on the compilation of the Merged Group Summary Pro Forma Balance Sheet

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Merged Group Summary Pro Forma Balance Sheet, as set out in section 9.7 of the Scheme Booklet, has not been compiled on the basis of:

- the Avocet Historical Balance Sheet extracted from the reviewed financial statements of Avocet for the six month period to 31 December 2012;
- the Lion One Historical Balance Sheet extracted from the reviewed financial statements of Lion One for the six month period to 31 December 2012; and
- the pro forma transactions and/or adjustments described in section 9.7(b) of the Scheme Booklet.

We have not audited or reviewed the historical financial information extracted from the financial statements of Avocet and Lion One for the six months ended 31 December, and we do

not express any opinion, or make any statement of negative assurance, as to whether the Merged Group Summary Pro Forma Historical Balance Sheet is prepared or presented fairly, in all material respects, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and accounting policies disclosed in the Scheme Booklet.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed scheme of arrangement, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. (KPMG is the auditor of Avocet and) from time to time, KPMG (also) provides Avocet with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Scheme Booklet, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Scheme Booklet in the form and context in which it is so included, but has not authorised the issue of the Scheme Booklet. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Scheme Booklet.

Yours faithfully



Matthew Kelly
Authorised Representative



KPMG Transaction Services

A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
235 St Georges Terrace
Perth WA 6000

GPO Box A29
Perth WA 6837
Australia

ABN: 43 007 363 215
Telephone: +61 8 9263 7171
Facsimile: +61 8 9263 7129
www.kpmg.com.au

Financial Services Guide

Dated 17 April 2013

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) (**'KPMG Transaction Services'**) and Matthew Kelly as an authorised representative of **KPMG Transaction Services (Authorised Representative)**, authorised representative number 404260.

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted
- the services KPMG Transaction Services and its Authorised Representative are authorised to provide
- how KPMG Transaction Services and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services. This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst

other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;

- interests in managed investments schemes including investor directed portfolio services;
- securities, and
- superannuation,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Avocet Resources Limited ("Avocet") to provide general financial product advice in the form of a Report to be included in a Scheme Booklet (Document) prepared by Avocet in relation to the proposed merger with Lion One Metals Ltd ("Lion One") ("Transaction").

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than Avocet.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Transaction Services has been engaged by Avocet, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services \$37,500 excluding Goods and Services Tax for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of

financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide, a range of audit services to Avocet for which professional fees are received. Over the past two years professional fees of \$76,000 have been received from Avocet. None of those services have related to the transaction or alternatives to the transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO
Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
10 Shelley St
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Matthew Kelly
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Annexure C

Summary of Merger Implementation Agreement

The Merger Implementation Agreement sets out the obligations of Avocet and Lion One in connection with the implementation of the Merger. A summary of the structure of the Merger and an outline of the key terms of the Merger Implementation Agreement is set out below.

1 Structure of the Merger

The Merger will be implemented by way of scheme of arrangement between Avocet and its shareholders, whereby Lion One will acquire all of the Avocet Shares. Each Scheme Shareholder will receive 1 Lion One Share (in the form of a Lion One CDI) for each 9.5 Avocet Shares held on the Record Date.

The Merger will result in Avocet becoming a wholly owned subsidiary of Lion One, and will be delisted from the ASX. Lion One will be admitted to the official list of the ASX and the Lion One CDIs to be issued under the Scheme will be approved for quotation on the ASX.

2 Conditions Precedent

2.1 Conditions Precedent to the Merger

Implementation of the Merger is subject to the following conditions precedent:

- (a) any regulatory authority approvals necessary (including from the ASX, ASIC or TSX-V) to implement the Scheme being obtained;
- (b) the Independent Expert does not change its conclusion that the Scheme is in the best interests of Avocet Shareholders or withdraw its report before the Second Court Date;
- (c) no Avocet Material Adverse Change occurring before the Second Court Date;
- (d) no Avocet Prescribed Event occurring before the Second Court Date;
- (e) no Lion One Material Adverse Change occurring before the Second Court Date;
- (f) no Lion One Prescribed Event occurring before the Second Court Date;
- (g) completion, to the satisfaction of Lion One, of its due diligence on Avocet by 28 February 2013;
- (h) completion, to the satisfaction of Avocet, of its due diligence on Lion One by 28 February 2013;
- (i) the Avocet Board does not change or withdraw its recommendation to vote in favour of the Scheme and all resolutions (if any) incidental to the Scheme, before the Scheme Meeting;
- (j) approval of the Scheme by the Requisite Majority of Avocet Shareholders in accordance with the Corporations Act;
- (k) Court Approval of the Scheme in accordance with the Corporations Act;

- (l) ASX granting all regulatory approvals reasonably necessary for admission of Lion One to the official list of ASX, and the approval of official quotation of the Lion One CDIs to be issued pursuant to the Scheme;
- (m) all Third Party Consents are granted or obtained in respect of Implementation and those consents, agreements, waivers, licences or approvals are not withdrawn, cancelled or revoked;
- (n) all Avocet Optionholders entering into binding agreements, for their Avocet Options to be dealt with pursuant to the Merger Implementation Agreement, before the Second Court Date (see section 3 of this Annexure C for further details);
- (o) no court order or other legal restraint being issued that prohibits or prevents the Merger occurring before the Second Court Date;
- (p) no action taken, or order or decree made by, a Government Agency which prohibits or prevents the Merger occurring before the Second Court Date;
- (q) The representations and warranties made by Avocet in the Merger Implementation Agreement being true and correct, as at the Second Court Date; and
- (r) The representations and warranties made by Lion One in the Merger Implementation Agreement being true and correct, as at the Second Court Date.

2.1 Waiver of Conditions Precedent

- (a) If a condition precedent is for the benefit of one party only, only that party may, in its sole and absolute discretion, waive the breach or non-fulfilment of that condition.
- (b) If a condition precedent is for the benefit of both parties, the breach or non-fulfilment of that condition may be waived only by the consent of both parties.
- (c) If ASX:
 - (i) imposes conditions on the admission of Lion One to the official list of ASX or the approval of quotation of the Lion One CDIs, which conditions Lion One does not reasonably consider to be acceptable; or
 - (ii) otherwise refuses to admit Lion One to the official list if ASX or refuses approval for quotation of the Lion One CDIs,

the parties will consider in good faith to determine whether the application for admission of Lion One to the official list of ASX and for the quotation of the Lion One CDIs will be withdrawn, and the condition precedent relating to ASX quotation will be waived, but only insofar as it relates to these matters.

3 Avocet Options

Avocet and Lion One will ensure that all outstanding Avocet Options are either acquired by Lion One, vest and are converted into Avocet Shares, or are otherwise dealt with to Lion One's satisfaction before the Second Court Date.

4 Conduct of Business

Avocet and Lion One will conduct their business in the ordinary and proper course and in substantially the same manner as previously conducted.

This obligation includes, but is not limited to, Avocet and Lion One maintaining the condition of their business and assets in accordance with the ordinary course of their business, preserving the services of their officers and employees, and preserving their relationships with customers, suppliers, licensors, licensees and others having business dealings with them.

5 Representations and Warranties

Lion One and Avocet have given representations and warranties as to information contained in the Scheme Booklet and compliance with disclosure and other obligations, as well as certain other commercial representations and warranties.

6 Termination

The Merger Implementation Agreement may be terminated by either party if:

- (a) a condition precedent has not been satisfied or waived in accordance with the Merger Implementation Agreement. If one party does not have the right to waive a condition precedent then that party may not terminate the Merger Implementation Agreement;
- (b) the Scheme is not Effective by 30 June 2013 (unless such date is extended by agreement between the parties); or

the other party is in material breach of a term of the Merger Implementation Agreement, provided that it has given written notice stating its intention to terminate and the relevant circumstances continue to exist for 5 Business Days (or any shorter period ending on the Second Court Date) after notice is given.

7 Exclusivity

Existing Discussions – Avocet

Avocet represents and warrants that as at the date of entering into the Merger Implementation Agreement, such date being 21 December 2012, it is not currently in, discussions or negotiations in respect of any Alternative Proposal for Avocet, other than the discussions with Lion One.

Non Solicitation

Each of Lion One and Avocet have agreed that, during the Exclusivity Period, Avocet will not, and will not authorise, permit or require any of its Associates to directly or indirectly solicit, invite, facilitate, encourage or initiate any enquiries, negotiations or discussions, or communicate any intention to do these things, with a view to obtaining any expression of interest, offer or proposal from any other person in relation to an Alternative Proposal for Avocet.

Exception to Exclusivity Provisions

The exclusivity provisions will not apply with respect to a bona fide proposal in relation to an unsolicited or uninitiated Alternative Proposal, where the Avocet Directors (acting in good faith) have determined that failing to respond would be likely to constitute a breach of the directors fiduciary or statutory duties or could reasonably lead to a contravention of the law.

Notice of Alternative Proposal

Avocet has agreed to give notice to Lion One immediately upon becoming aware of any:

- (a) approach, inquiry or proposal made to, or attempt to initiate negotiations or discussions with Avocet in relation to a bona fide Alternative Proposal; or
- (b) any request for information relating to Avocet where Avocet has reasonable grounds to suspect may relate to a current or future Alternative Proposal.

The requirement to provide notice will not apply where compliance with such requirement would, or would be reasonably likely to, constitute a breach of the Avocet Directors' legal or fiduciary obligations.

Superior Proposal

If Avocet receives a proposal in relation to a bona fide Superior Proposal, Avocet must provide notice of such Superior Proposal to Lion One.

Lion One will then have the right, but not the obligation, to match any such Superior Proposal by providing a more favourable counter proposal.

8 Break Fee

Avocet has agreed to pay Avocet the Avocet Break Fee in the following circumstances:

- (a) an Avocet Prescribed Event or Avocet Material Transaction occurs;
- (b) a majority of the independent Avocet Directors does not recommend, adversely modifies or withdraws their recommendation that Avocet Shareholders vote in favour of the Scheme (other than because of a Material Adverse Change relating to Lion One, or because the Independent Expert has concluded that the Scheme is not in the best interests of Avocet Shareholders);
- (c) a member of the Avocet Board disposes of any interest in Avocet Shares or Avocet Options (other than Avocet Options due to expire before the Effective Date) which they own or control, other than in circumstances disclosed to Lion One prior to the execution of the Merger Implementation Agreement;
- (d) Lion One validly terminates the Merger Implementation Agreement due to a material breach of the Merger Implementation Agreement by Avocet; or
- (e) the Scheme has not become Effective prior to 30 June 2013 (or such other date as agreed by the parties pursuant to the Merger Implementation Agreement) due to a material non-compliance of Avocet's obligations under the Merger Implementation Agreement.

Lion One has agreed to pay Avocet the Lion One Break Fee Amount in the following circumstances:

- (a) a Lion One Prescribed Event occurs;
- (b) Avocet validly terminates the Merger Implementation Agreement due to a material breach of the Merger Implementation Agreement by Lion One; or
- (c) the Scheme has not become Effective prior to 30 June 2013 (or such other date as agreed by the parties pursuant to the Merger Implementation Agreement) due to a material non-compliance of Lion One's obligations under the Merger Implementation Agreement.

A Break Fee is not payable by either party in the event that the Avocet Shareholders do not approve the Scheme.

Annexure D

Scheme

Share Scheme of Arrangement

pursuant to Section 411 of the Corporations Act

Between

Avocet Resources Limited

ACN 113 446 352

Avocet

and

Each Scheme Shareholder

Table of contents

1.	Definitions and Interpretation	3
1.1	Definitions	3
1.2	Interpretation	6
2.	Preliminary.....	7
2.1	Avocet.....	7
2.2	Lion One	7
2.3	Scheme summary.....	7
2.4	Implementation	8
3.	Conditions precedent and effectiveness	8
3.1	Conditions precedent.....	8
3.2	Certificate	8
3.3	Merger Implementation Agreement	9
3.4	Sunset Date.....	9
4.	Implementation of the Scheme	9
4.1	Court order	9
4.2	Lodgement with ASIC.....	9
4.3	Transfer of Scheme Shares.....	9
4.4	Consideration under this Scheme	10
4.5	Joint holders	10
4.6	Fractional entitlements	10
4.7	Shareholding splitting or division	10
4.8	Ineligible Foreign Holders.....	11
4.9	Small Shareholders	11
4.10	Authority given to Avocet.....	12
4.11	Appointment of sole proxy	13
5.	Lion One's obligations and ancillary matters.....	13
5.1	Avocet notice and Scheme Shareholder consent.....	13
5.2	Provision of Scheme Consideration	13
5.3	Status of New Lion One Shares	14
5.4	Deferred settlement trading	14
5.5	Appointment of Lion One as attorney and agent	14
6.	Dealings in Avocet Shares	15
6.1	No allotment or issue.....	15
6.2	No dealings after Record Date	15
6.3	No registration of transfers	15
6.4	Statements of holding.....	15
6.5	Maintenance of Share Register	15

7.	Quotation of Avocet Shares	15
7.1	Suspension of trading	15
7.2	Termination of quotation	16
8.	General	16
8.1	Scheme binding	16
8.2	Enforcement of Deed Poll	16
8.3	Modifications and amendments	16
8.4	Accidental omissions and non-receipt of notice	16
8.5	Status of Scheme Shares	16
8.6	Binding instruction or notification	17
8.7	Notices	17
8.8	Further obligations	17
8.9	No liability	17
8.10	Costs and stamp duty	17
8.11	Governing law	17
	Annexure A – Deed Poll	18

Date:

Parties

Avocet Resources Limited ACN 009 260 306 of Level 3, 33 Ord Street, West Perth, Western Australia, 6005 (**Avocet**)

Each Scheme Shareholder

1. Definitions and Interpretation

1.1 Definitions

In this Scheme, unless the context otherwise requires:

ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it.
ASX Operating Rules	means the operating rules of ASX Settlement.
ASX Settlement	means ASX Settlement Pty Ltd ACN 008 504 532.
Avocet	means Avocet Resources Limited ACN 113 446 352.
Avocet Option	means an option to subscribe for an Avocet Share.
Avocet Share	means a fully paid ordinary share in Avocet.
Business Day	means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Perth, Western Australia.
CDN	means CHESS Depository Nominees Pty Ltd ACN 071 346 506.
CHESS	means the Clearing House Electronic Sub-register System, for the electronic transfer of securities, operated by ASX Settlement.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Court	means the Federal Court of Australia.
Deed Poll	means the deed poll executed by Lion One on or about 16 April 2013 in favour of each Scheme Shareholder as set out in Annexure A.

Effective	means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to the Scheme.
Effective Date	means the date on which the Scheme becomes Effective.
Implementation Date	means the fifth Business Day after the Record Date.
Ineligible Foreign Holder	means a Scheme Shareholder whose address in the Share Register is in a jurisdiction outside Australia and its external territories, New Zealand and Canada, except where Lion One and Avocet are reasonably satisfied that the issue of New Lion One Shares in that jurisdiction under the Scheme would be neither prohibited by law nor unduly onerous.
Lion One	means Lion One Metals Limited of 311 West 1st Street, North Vancouver BC, V7M 1B5, Canada.
Lion One CDI	means a CHESSE Depository Interest, being a unit of beneficial ownership, in a New Lion One Share.
Lion One Option	means a stock option to subscribe for a Lion One Share.
Lion One Register	means the register of members of Lion One maintained by Computershare Limited and Lion One Registry has a corresponding meaning.
Lion One Share	means a fully paid common share in the capital of Lion One.
Listing Rules	means the listing rules of ASX.
Merger Implementation Agreement	means the merger implementation agreement dated 21 December 2012 between Avocet and Lion One as varied by deed of variation dated 25 March 2013.
New Lion One CDI	means those Lion One CDIs to be issued to Scheme Shareholders in consideration for their Scheme Shares pursuant to the Scheme.
New Lion One Shares	means the new Lion One Shares (in the form of Lion One CDIs) to be issued under the terms of the Scheme as Scheme Consideration to Scheme Shareholders.
Record Date	means 5.00pm on the fifth Business Day after the Effective Date, or any other date agreed by Avocet and Lion One.
Registered Address	means, in relation to a Scheme Shareholder, the address of the Scheme Shareholder shown in the Share Register.

Sale Agent	means the person chosen by Avocet and Lion One and (if necessary) approved by ASIC (or other applicable regulatory authority in Canada) to sell the New Lion One Shares that are attributable to Ineligible Foreign Holders and Small Shareholders under the terms of this Scheme (or any nominee of such person).
Scheme or Scheme of Arrangement	means the scheme of arrangement under Part 5.1 of the Corporations Act recorded in this document subject to any modifications or conditions made or required by the Court under section 411(6) of the Corporations Act.
Scheme Consideration	means the consideration to be provided by Lion One to Scheme Shareholders for the transfer of their Scheme Shares under the terms of the Scheme, being 1 New Lion One CDI for every 9.5 Scheme Shares.
Scheme Meeting	means the meeting of Shareholders, to be convened by the Court pursuant to section 411(1) of the Corporations Act, to consider and vote on the Scheme.
Scheme Shares	means the Avocet Shares on issue as at the Record Date.
Scheme Shareholder	means each person who is registered in the Share Register as a holder of Scheme Shares as at the Record Date.
Second Court Date	means the first day of the Second Court Hearing, or if the application at such hearing is adjourned or subject to an appeal for any reason, the first day on which the adjourned or appealed application is heard.
Second Court Hearing	means the hearing of the Court of the application for an order pursuant to section 411(4)(b) of the Corporations Act approving this Scheme.
Shareholder	means a holder of a Avocet Share.
Share Register	means the register of Avocet members maintained by Security Transfer Registrars Pty Ltd and Share Registry has a corresponding meaning.
Small Shareholder	means a Scheme Shareholder who holds 4,750 Avocet Shares or less as at 5.00pm on the Record Date.
Subsidiary of an entity	means another entity which is a subsidiary of the first within the meaning of Division 6 of Part 1.2 of the Corporations Act or is a subsidiary or otherwise controlled by the first within the meaning of any approved accounting standard.
Sunset Date	means 30 June 2013.
TSX	means the TMX Group Inc. or, as the context requires, the financial market known as the Toronto Stock Exchange.
TSXV	TSX Venture Exchange.

1.2 Interpretation

In this Scheme:

- (a) headings are for convenience only and do not affect interpretation; and
unless the context indicates otherwise:
- (b) a word or phrase in the singular number includes the plural, a word or phrase in the plural number includes the singular, and a word indicating a gender includes every other gender;
- (c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (d) a reference to:
 - (i) a clause or schedule is a reference to a clause or schedule of this Scheme;
 - (ii) a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation;
 - (iii) a document in writing includes a document produced by means of typewriting, printing, lithography, photography and other modes of representing or reproducing words in a visible form, recorded by any electronic, magnetic, photographic or other medium by which information may be stored or reproduced;
 - (iv) a document (including this Scheme) includes a reference to all schedules, exhibits, attachments and annexures to it, and is to that document as varied, novated, ratified or replaced from time to time;
 - (v) legislation or to a provision of legislation includes any consolidation, amendment, re-enactment, substitute or replacement of or for it, and refers also to any regulation or statutory instrument issued or delegated legislation made under it;
 - (vi) a person includes an individual, the estate of an individual, a corporation, an authority, an unincorporated body, an association or joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (e) a reference to a day is to a period of time commencing at midnight and ending twenty four (24) hours later;
- (f) a reference to a Chapter, Part, Division or section is a reference to a Chapter, Part, Division or section of the Corporations Act;
- (g) the word “**includes**” in any form is not a word of limitation;
- (h) a reference to “**information**” is to information of any kind in any form or medium, whether formal or informal, written or unwritten, for example, computer software or programmes, concepts, data, drawings, ideas, knowledge, procedures, source codes or object codes, technology or trade secrets;

- (i) the words “**entity**” and “**officer**” have the same meaning as in section 9 of the Corporations Act, and “**control**” has the same meaning as in section 50AA of the Corporations Act;
- (j) time is a reference to time in Perth, Western Australia;
- (k) a reference to “\$” or “**dollar**” is to Australian currency;
- (l) a contravention of or a breach of any of the representations and warranties includes any of the representations and warranties not being complete, true and correct;
- (m) each representation and warranty is a separate representation and warranty, and its meaning is not affected by any other representation or warranty;
- (n) a period of time dates from a given day or the day of an act or event, it is to be calculated exclusive of that day; and
- (o) when a day on or by which anything to be done is not a Business Day, that thing may be done on or by the next Business Day.

2. Preliminary

2.1 Avocet

- (a) Avocet is a public company limited by shares, incorporated in Australia and registered in Western Australia.
- (b) As at the date of this document:
 - (i) 105,513,653 Avocet Shares were on issue; and
 - (ii) 500,000 Avocet Options were on issue.
- (c) Avocet has been admitted to the official list of ASX and its shares have been granted official quotation.

2.2 Lion One

- (a) Lion One is a public company limited by shares, incorporated in Canada and registered in British Columbia.
- (b) As at the date of this document:
 - (i) 49,068,827 Lion One Shares were on issue; and
 - (ii) 3,463,667 Lion One Options were on issue.
- (c) Lion One is listed on the TSXV and its shares are quoted.

2.3 Scheme summary

If this Scheme becomes Effective, then:

- (a) in consideration for the transfer of each Scheme Share to Lion One, Lion One will be obliged to provide the Scheme Consideration to each Scheme

Shareholder (other than Ineligible Foreign Holders who will be dealt with in accordance with clause 4.8);

- (b) each Scheme Shareholder will be bound to transfer their Scheme Shares, and all rights and obligations attaching to them as at the Implementation Date, to Lion One and Avocet will enter Lion One's name and registered address in the Share Register as the holder of all Scheme Shares; and
- (c) on the transfer of all Scheme Shares to Lion One, Avocet will become a wholly owned Subsidiary of Lion One.

2.4 Implementation

- (a) Lion One has entered into the Deed Poll pursuant to which it has, among other things, covenanted to carry out its obligations (including its obligation to provide the Scheme Consideration, subject to clause 4.8 of this Scheme, to Scheme Shareholders) as contemplated by this Scheme.
- (b) Avocet and Lion One have also entered into the Merger Implementation Agreement, which sets out the terms on which Avocet and Lion One have agreed to implement the Scheme.

3. Conditions precedent and effectiveness

3.1 Conditions precedent

The conditions precedent to this Scheme becoming Effective are:

- (a) **(Scheme approval)** this Scheme being approved, in accordance with section 411(4)(a) of the Corporations Act, at the Scheme Meeting;
- (b) **(Conditions precedent to Merger Implementation Agreement)** all of the conditions set out in clause 2.2 of the Merger Implementation Agreement being satisfied or waived in accordance with the terms of the Merger Implementation Agreement by the times indicated in the Merger Implementation Agreement;
- (c) **(No termination)** the Merger Implementation Agreement or Deed Poll not being terminated prior to 8.00am on the Second Court Date;
- (d) **(Court approval)** the approval by the Court of this Scheme, pursuant to section 411(4)(b) of the Corporations Act, being given; and
- (e) **(Court conditions)** such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Lion One and Avocet being satisfied.

The satisfaction of each of paragraphs (a) to (e) of this clause 3.1 is a condition precedent to the operation of this Scheme and this Scheme will be of no effect unless the conditions precedent in this clause 3.1 are satisfied.

3.2 Certificate

Lion One and Avocet will provide to the Court at the Second Court Hearing a certificate confirming whether or not all of the conditions in clause 2.2 of the Merger Implementation Agreement (other than those set out in clauses 2.2(e) and (f) of the

Merger Implementation Agreement) have been satisfied or waived in accordance with the terms of the Merger Implementation Agreement.

3.3 Merger Implementation Agreement

If the Merger Implementation Agreement is terminated in accordance with its terms prior to 8.00am on the Second Court Date, Lion One and Avocet are each immediately released from any further obligation to take steps to implement the Scheme.

3.4 Sunset Date

This Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the Sunset Date.

4. Implementation of the Scheme

4.1 Court order

This Scheme will become binding on Avocet and each Scheme Shareholder if and only if the Court makes an order under section 411(4)(b) of the Corporations Act approving this Scheme and that order becomes effective under section 411(10) of the Corporations Act.

4.2 Lodgement with ASIC

Avocet will lodge with ASIC an office copy of the order of the Court made under section 411(4)(b) of the Corporations Act approving this Scheme as soon as practicable and, in any event, by 5.00pm on the first Business Day after:

- (a) the Court approves the Scheme; or
- (b) the date of satisfaction of the conditions precedent referred to in clause 3.1 of this Scheme,

whichever is the later.

4.3 Transfer of Scheme Shares

Subject to clause 4.4, all of the Scheme Shares (together with all rights and entitlements attaching to the Scheme Shares) will be transferred to Lion One on the Implementation Date (without the need for any further act by a Scheme Shareholder other than acts performed by Avocet pursuant to the authority in clause 4.10) by Avocet effecting a valid transfer or transfers under section 1074D of the Corporations Act or, if that procedure is not available for any reason, by:

- (a) Avocet executing and delivering to Lion One, pursuant to the authority in clause 4.10, a valid share transfer form or forms (which may be a master transfer) to transfer all of the Scheme Shares to Lion One;
- (b) Lion One executing and delivering that share transfer form or those forms to Avocet; and
- (c) Avocet, immediately upon receipt of the executed share transfer form or forms, entering the name and address of Lion One in the Share Register as the holder of all Scheme Shares.

4.4 Consideration under this Scheme

Subject to and in accordance with the other terms and conditions of this Scheme (including clauses 4.6, 4.7, 4.8 and 4.9), in consideration for the transfer of each Scheme Share to Lion One, Lion One will on the Implementation Date issue to each Scheme Shareholder the number of New Lion One CDIs as are due to that Scheme Shareholder as Scheme Consideration.

4.5 Joint holders

In the case of Scheme Shares held in joint names, any certificates or uncertificated holding statements for New Lion One CDIs to be issued to Scheme Shareholders will be issued in the names of the joint holders and will be forwarded to the holder whose name appears first in the Share Register on the Record Date.

4.6 Fractional entitlements

Where the calculation of the total number of New Lion One CDIs to be issued to (or in respect of) a particular Scheme Shareholder would result in a fractional entitlement to a New Lion One CDI, then, any such fractional entitlement:

- (a) if to less than 0.5 of a New Lion One CDI, will be rounded down to the nearest whole number of New Lion One CDIs; and
- (b) if to 0.5 or more of a New Lion One CDI, will be rounded up to the nearest whole number of New Lion One CDIs,

provided that if a Scheme Shareholder holds less than 9.5 Avocet Shares on the Record Date, Lion One will issue that Scheme Shareholder one New Lion One CDI.

4.7 Shareholding splitting or division

If Lion One is of the reasonable opinion that two or more Scheme Shareholders (each of whom holds a number of Scheme Shares which results in rounding in accordance with clause 4.6 or each of whom holds less than or equal to the number of Scheme Shares required to classify as a Small Shareholder) have, before the Record Date, been party to shareholding splitting or division in an attempt to obtain unfair advantage by reference to such rounding, Lion One may give notice to those Scheme Shareholders:

- (a) setting out their names and Registered Addresses;
- (b) stating that opinion; and
- (c) attributing to one of them specifically identified in the notice the Scheme Shares held by all of them,

and, after such notice has been given, the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares will, for the purposes of the other provisions of this Scheme, be taken to hold all of those Scheme Shares and each of the other Scheme Shareholders whose names and Registered Addresses are set out in the notice will, for the purposes of the other provisions of this Scheme, be taken to hold no Scheme Shares. Lion One, in complying with the other provisions of this Scheme relating to it in respect of the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares, will be taken to have satisfied and discharged its obligations to the other Scheme Shareholders named in the notice under the terms of this Scheme.

4.8 Ineligible Foreign Holders

- (a) Lion One will be under no obligation under this Scheme to issue, and will not issue, any New Lion One CDIs to Ineligible Foreign Holders, and instead:
- (i) all the New Lion One CDIs which would otherwise be required to be issued to any Ineligible Foreign Holder under the Scheme, if they were eligible to receive them, will be issued to the Sale Agent in the form of Lion One Shares;
 - (ii) Lion One will procure that, as soon as reasonably practicable (and in any event not more than 15 Business Days after the Implementation Date), the Sale Agent sells on TSXV all of the Lion One Shares issued to the Sale Agent pursuant to clause 4.8(a)(i) in such manner, at such price and on such other terms as the Sale Agent determines in good faith (and at the risk of the Ineligible Foreign Holders), and remits to Lion One the proceeds of sale (after deducting any applicable brokerage and other selling costs, taxes and charges) (**Proceeds**); and
 - (iii) Lion One will pay to each Ineligible Foreign Holder such fraction of the Proceeds as is equal to the number of New Lion One Shares which would have been issued to that Ineligible Foreign Holder (if they were eligible to receive New Lion One Shares) divided by the total number of Lion One Shares issued to the Sale Agent under clause 4.8(a)(i), promptly after the last sale of Lion One Shares by the Sale Agent,
- in full satisfaction of Lion One's obligations to those Ineligible Foreign Holders under the Scheme in respect of the Scheme Consideration.
- (b) Lion One will pay the relevant fraction of the Proceeds to each Ineligible Foreign Holder by either:
- (i) dispatching, or procuring the dispatch, to that Ineligible Foreign Holder by prepaid post to that Ineligible Foreign Holder's Registered Address (at the Record Date), a cheque in the name of that Ineligible Foreign Holder; or
 - (ii) making a deposit in an account with any ADI (as defined in the *Banking Act 1959* (Cth)) in Australia notified by that Ineligible Foreign Holder to Avocet (or the Share Registry) and recorded in or for the purposes of the Share Register at the Record Date,
- for the relevant amount, with that amount being denominated in Australian dollars.
- (c) Each Ineligible Foreign Holder appoints Avocet as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Holders under the Corporations Act.

4.9 Small Shareholders

Each Small Shareholder may elect to either:

- (a) be allotted its entitlement to New Lion One CDIs in accordance with clause 4.4; or

- (b) have the New Lion One CDIs to which it is entitled issued to the Sale Agent in the form of Lion One Shares, in which case:
- (i) Lion One will procure that, as soon as reasonably practicable (and in any event not more than 15 Business Days after the Implementation Date), the Sale Agent sells on TSXV all of the Lion One Shares issued to the Sale Agent pursuant to this clause 4.9(b) in such manner, at such price and on such other terms as the Sale Agent determines in good faith (and at the risk of the Small Shareholder), and remits to Lion One the proceeds of sale (after deducting any applicable brokerage and other selling costs, taxes and charges) (**Proceeds**);
 - (ii) Lion One will pay to each Small Shareholder such fraction of the Proceeds as is equal to the number of New Lion One Shares which would have been issued to that Small Shareholder divided by the total number of Lion One Shares issued to the Sale Agent under clause 4.9(b)(i), promptly after the last sale of Lion One Shares by the Sale Agent, in full satisfaction of Lion One's obligations to those Small Shareholders under the Scheme in respect of the Scheme Consideration;
 - (iii) Lion One will pay the relevant fraction of the Proceeds to each Small Shareholder by either:
 - A. dispatching, or procuring the dispatch, to that Small Shareholder by prepaid post to that Small Shareholder's Registered Address (at the Record Date), a cheque in the name of that Small Shareholder; or
 - B. making a deposit in an account with any ADI (as defined in the Banking Act 1959 (Cth)) in Australia notified by that Small Shareholder to Avocet (or the Share Registry) and recorded in or for the purposes of the Share Register at the Record Date,

for the relevant amount, with that amount being denominated in Canadian dollars; and

for the purposes of clause 4.9(b), each Small Shareholder appoints Avocet as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Sale Agent is required to provide to Small Shareholders under the Corporations Act.

4.10 Authority given to Avocet

Each Scheme Shareholder will be deemed (without the need for any further act) to have irrevocably authorised Avocet (and each of its directors and officers, jointly and severally) as agent and attorney to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary to implement and give full effect to this Scheme and the transactions contemplated by it, including (without limitation):

- (a) executing a proper instrument of transfer (including for the purposes of section 1071B of the Corporations Act) of their Scheme Shares in favour of Lion One, which may be a master transfer of some or all Scheme Shares; and
- (b) where Scheme Shares are held in a CHESS holding, causing a message to be transmitted to ASX Settlement in accordance with the ASX Operating

Rules to transfer the Scheme Shares held by the Scheme Shareholder from the CHESS sub-register to the issuer sponsored sub-register operated by Avocet and subsequently completing a proper instrument of transfer under paragraph (a) above.

4.11 Appointment of sole proxy

Upon the Scheme Consideration being issued by Lion One pursuant to this clause 4 and until Avocet registers Lion One as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed Lion One as attorney and agent (and directed Lion One in such capacity) to appoint the chairman of Lion One as its sole proxy and, where applicable, corporate representative, to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution, and no Scheme Shareholder may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 4.11(a)); and
- (b) must take all other actions in the capacity of a registered holder of Scheme Shares as Lion One reasonably directs.

5. Lion One's obligations and ancillary matters

5.1 Avocet notice and Scheme Shareholder consent

- (a) As soon as practicable after the Record Date, and in any event at least 2 Business Days before the Implementation Date, Avocet will give to Lion One (or procure that Lion One be given) details of the names and addresses shown in the Share Register of all Scheme Shareholders and the number of Scheme Shares held by each of them at the Record Date (in such form as may be reasonably requested by Lion One).
- (b) Scheme Shareholders agree that any information referred to in clause 5.1(a) may be disclosed to Lion One, Lion One's advisors, Avocet's advisors and other service providers (including the Lion One Registry) to the extent necessary to effect the Scheme.

5.2 Provision of Scheme Consideration

Subject to clauses 4.5, 4.6, 4.7 and 4.8, the obligation of Lion One to provide the Scheme Consideration to each Scheme Shareholder will be satisfied by Lion One:

- (a) on the Implementation Date, issuing to CDN, to be held on trust, that number of Lion One Shares that will enable CDN to issue New Lion One CDIs as contemplated by clause 4.4;
- (b) procuring the entry in the Lion One Register on the Implementation Date of the name and address of CDN in respect of those Lion One Shares and that a share certificate or holding statement (or equivalent document) in the name of CDN representing those Lion One Shares is sent to CDN;

- (c) procuring that CDN, on the Implementation Date:
 - (i) issues to each Scheme Shareholder the number of New Lion One CDIs to which it is entitled under clause 4.4 and this clause 5.2; and
 - (ii) enters (or procures the entry of) the name of each such Scheme Shareholder in the records maintained by CDN as the holder of the New Lion One CDIs issued to that Scheme Shareholder on the Implementation Date;
- (d) in the case of each Scheme Shareholder who held Scheme Shares on the CHESS sub-register, procuring that the New Lion One CDIs are held on the CHESS sub-register on the Implementation Date and sending or procuring the sending of a holding statement in respect of those New Lion One CDIs to each such Scheme Shareholder which sets out the number of New Lion One CDIs held on the CHESS sub-register by that Scheme Shareholder; and
- (e) in the case of each Scheme Shareholder who held Scheme Shares on the issuer sponsored sub-register, procuring that the New Lion One CDIs are held on the issuer sponsored sub-register on the Implementation Date and sending or procuring the sending of a holding statement in respect of those New Lion One CDIs to each such Scheme Shareholder which sets out the number of New Lion One CDIs held on the issuer sponsored sub-register by that Scheme Shareholder.

5.3 Status of New Lion One Shares and New Lion One CDIs

- (a) Each of the New Lion One Shares to be issued in accordance with this Scheme will:
 - (i) be validly issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest; and
 - (ii) rank equally with all other Lion One Shares then on issue (other than in respect of any dividend already declared and not yet paid by Lion One, where the record date for entitlement to that dividend occurred prior to the Implementation Date).
- (b) Each of the New Lion One CDIs to be issued in accordance with this Scheme will:
 - (i) be validly issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest; and
 - (ii) rank equally in all respects with all other New Lion One CDIs to be issued in accordance with this Scheme.

5.4 Deferred settlement trading

Lion One will use its best endeavours to ensure that the New Lion One CDIs are quoted on ASX as soon as practicable after the Effective Date, initially on a deferred settlement basis and thereafter on an ordinary settlement basis.

5.5 Appointment of Lion One as attorney and agent

Each Scheme Shareholder, without need for any further act, irrevocably appoints Lion One and each of its directors and officers, jointly and severally, as that Scheme

Shareholder's attorney and agent for the purpose of executing any form of application required for New Lion One CDIs to be issued to that Scheme Shareholder under the Scheme.

6. Dealings in Avocet Shares

6.1 No allotment or issue

No Avocet Shares will be allotted or issued by Avocet after the Effective Date and before the Implementation Date.

6.2 No dealings after Record Date

Where this Scheme becomes binding as provided by clause 4.1, for the purposes of determining who are Scheme Shareholders, dealings in Avocet Shares will only be recognised if:

- (a) in the case of dealings of a type to be effected using CHESSE, the transferee is registered in the Share Register as the holder of the Avocet Shares by the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Share Registry by the Record Date.

Avocet will register registrable transfers or transmission applications of the kind referred to in clause 6.2(b) on or before the Record Date.

6.3 No registration of transfers

Avocet will not accept for registration nor recognise for any purpose any transmission application, transfer or other dealing in respect of Scheme Shares received after the Record Date, other than a transfer to Lion One in accordance with this Scheme.

6.4 Statements of holding

All statements of holdings (or certificates) for Scheme Shares will cease to have any effect from the Record Date as documents of title in respect of such Scheme Shares. As from the Record Date, each entry current at that date on the Share Register relating to Scheme Shares will cease to be of any effect other than as evidence of entitlement to the Scheme Consideration.

6.5 Maintenance of Share Register

In order to determine entitlements to the Scheme Consideration, Avocet will maintain, or procure the maintenance of, the Share Register in accordance with this clause 6 until the Scheme Consideration has been provided to Scheme Shareholders, and the Share Register in this form will solely determine entitlements to the Scheme Consideration.

7. Quotation of Avocet Shares

7.1 Suspension of trading

Avocet will apply to ASX for suspension of trading of Avocet Shares on ASX after the close of trading on ASX on the Effective Date. It is expected that suspension of

trading in Avocet Shares will occur from the commencement of the Business Day following the day on which Avocet notifies ASX of this Scheme becoming Effective.

7.2 Termination of quotation

After the Implementation Date, Avocet will apply for termination of the official quotation of Avocet Shares and to have itself removed from the official list of ASX.

8. General

8.1 Scheme binding

Each Scheme Shareholder will transfer their Scheme Shares to Lion One (together with all rights and entitlements attaching to those Scheme Shares) in accordance with the terms of this Scheme and this Scheme binds Avocet and all Scheme Shareholders (including those who do not attend the Scheme Meeting, do not vote at the Scheme Meeting, or vote against this Scheme at the Scheme Meeting).

8.2 Enforcement of Deed Poll

- (a) Each Scheme Shareholder appoints Avocet as its agent and attorney to enforce the Deed Poll against Lion One.
- (b) Avocet undertakes in favour of each Scheme Shareholder to enforce the Deed Poll against Lion One on behalf of, and as agent and attorney for, the Scheme Shareholders.

8.3 Modifications and amendments

Avocet may by its counsel or solicitors (but only with the prior consent of Lion One, which consent may not be unreasonably withheld or delayed) consent on behalf of all persons concerned (including the Scheme Shareholders) to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of this Scheme.

8.4 Accidental omissions and non-receipt of notice

The accidental omission to give notice of the Scheme Meeting to any holder of Avocet Shares or the non-receipt of such a notice by any holder of Avocet Shares will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings at the Scheme Meeting.

8.5 Status of Scheme Shares

- (a) Each Scheme Shareholder is deemed to have warranted to Avocet, in its own right and for the benefit of Lion One, that all of their Scheme Shares which are transferred to Lion One under the Scheme will, at the date of transfer of them to Lion One, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares to Lion One.
- (b) Lion One will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by Avocet of the name and registered address of Lion One in the Share Register as the holder of the Scheme Shares.

8.6 Binding instruction or notification

Except for a Scheme Shareholder's tax file number, any binding instruction or notification from a Scheme Shareholder to Avocet relating to Scheme Shares at the Record Date (including any instructions relating to the payment of dividends or communications) will, from the Record Date, be deemed (except to the extent inconsistent with the other provisions of this Scheme or as determined otherwise by Lion One in its sole discretion) to be a similarly binding instruction or notification to Lion One in respect of the New Lion One CDIs issued to the Scheme Shareholder until such time as it is revoked or amended in writing addressed to Lion One at the Lion One Registry.

8.7 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post:

- (a) to Avocet, it will not be deemed to be received in the ordinary course of post or on a day other than the date (if any) on which it was actually received at Avocet's registered office or the Share Registry; and
- (b) to a Scheme Shareholder, it will be sent by ordinary pre-paid post (or by airmail in the case of Scheme Shareholders with overseas Registered Addresses) or courier to the Registered Address of the relevant Scheme Shareholder at the Record Date, or delivered to that address by any other means at no cost to the recipient.

8.8 Further obligations

Avocet and Lion One must each execute all deeds and other documents (including transfers) and do all acts and things as may be necessary or expedient on its part to implement and give full effect to this Scheme in accordance with its terms.

8.9 No liability

Neither Avocet nor Lion One, nor any of their respective officers, is liable to Scheme Shareholders for anything done or for anything omitted to be done in performance of this Scheme in good faith.

8.10 Costs and stamp duty

Avocet will pay the costs of the Scheme other than duty. All duty (if any) payable and any related fines, interest and penalties in connection with the transfer of the Scheme Shares to Lion One will be payable by Lion One.

8.11 Governing law

- (a) The Scheme is governed by the laws of Western Australia.
- (b) Avocet, Scheme Shareholders and Lion One each submit to the non-exclusive jurisdiction of the courts exercising jurisdiction in Western Australia, and any court that may hear appeals from any of those courts, for any proceedings in connection with this document, and waive any right they might have to claim that those courts are an inconvenient forum.

Annexure A – Deed Poll

Annexure E

Deed Poll



Share Scheme Deed Poll

Lion One Metals Limited
Lion One

Jackson McDonald
140 St Georges Terrace
Perth WA 6000

t: +61 8 9426 6611
f: +61 8 9481 8649
w: www.jacmac.com.au

Contact: Will Moncrieff
Reference: 7146402

Date: 16 April 2013

Parties

Lion One Metals Limited of 311 West 1st Street, North Vancouver BC, V7M 1B5, Canada
(**Lion One**)

In favour of each holder of fully paid ordinary shares in the capital of Avocet Resources Limited ACN 113 446 352 (**Avocet**) on issue as at 5.00pm on the Record Date (each a **Scheme Shareholder**)

Recitals

- A. Lion One and Avocet have entered into the Merger Implementation Agreement.
- B. Avocet has agreed in the Merger Implementation Agreement to propose the Share Scheme.
- C. Under the Share Scheme, all Avocet Shares held by Scheme Shareholders will be transferred to Lion One for the Share Scheme Consideration.
- D. In accordance with the Merger Implementation Agreement, Lion One is entering into this Deed to covenant in favour of the Scheme Shareholders to perform its obligations under the Share Scheme.

Operative Provisions

1. Definitions and interpretation

1.1 Definitions

In this Deed, unless the context requires otherwise:

Deed means this Share Scheme Deed Poll.

Merger Implementation Agreement means the merger implementation agreement between Avocet and Lion One dated 21 December 2012, as varied by deed of variation dated 25 March 2013.

Scheme means the scheme of arrangement under section 411 of the Corporations Act between Avocet and the Scheme Shareholders, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and approved in writing by Avocet and Lion One.

Terms that are not defined in this Deed and that are defined in the Merger Implementation Agreement or the Scheme have the same meaning in this Deed as given to the term in the Merger Implementation Agreement, unless the context makes it clear that a definition is not intended to apply.

1.2 Interpretation

The rules specified in clause 1.2 of the Merger Implementation Agreement apply in interpreting this Deed, unless the context makes it clear that a rule is not intended to apply.

1.3 Nature of Deed Poll

Lion One acknowledges that:

- (a) this Deed may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Avocet and any of Avocet's directors as its agent and attorney, inter alia, to enforce this Deed against Lion One.

2. Condition precedent and termination

2.1 Condition

Lion One's obligations under clause 3 are subject to the Share Scheme becoming Effective.

2.2 Termination

If the Share Scheme does not become Effective on or before the Sunset Date, or the Merger Implementation Agreement is terminated, Lion One's obligations under this Deed will automatically terminate and the terms of this Deed will be of no further force or effect, unless Lion One and Avocet otherwise agree in writing.

2.3 Consequences of termination

If this Deed is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Lion One is released from its obligations to further perform this Deed except those obligations contained in clause 8.3; and
- (b) each Scheme Participant retains any rights, power or remedies it has against Lion One in respect of any breach of this Deed by Lion One which occurred before termination of this Deed.

3. Payment of Scheme Consideration

3.1 Undertaking to pay Scheme Consideration

Subject to clauses 2 and 3.3 and 0, in consideration of the transfer of each Avocet Share to Lion One, Lion One must:

- (a) acquire all Avocet Shares on issue at the Record Date from Scheme Shareholders, in accordance with the provisions of the Share Scheme;
- (b) issue and allot the Scheme Consideration to each Scheme Shareholder (other than to Ineligible Foreign Holders who will be dealt with in accordance with clause 3.3 and those Small Shareholders who elect to receive cash proceeds instead of New Lion One CDIs in accordance with clause 0); and
- (c) otherwise do all things necessary or expedient on its part to implement the Share Scheme.

3.2 Satisfaction of obligation to provide Scheme Consideration

The obligation of Lion One to provide the Scheme Consideration referred to in clause 3.1(b) will be satisfied by Lion One:

- (a) on the Implementation Date, passing a resolution of directors and doing all other things necessary to validly issue to CDN, to be held on trust, that number of Lion One Shares that will enable CDN to issue the Scheme Consideration due to each Scheme Shareholder (other than an Ineligible Foreign Holder and Small Shareholders who elect to receive cash proceeds instead of New Lion One CDIs) and entering in the register of members of Lion One the name and registered address of CDN, in relation to all the Lion One Shares issued to CDN in accordance with the Share Scheme;
- (b) on the Implementation Date, procuring that CDN:
 - (i) issues to each Scheme Shareholder the number of Lion One CDIs to which it is entitled under the Scheme; and
 - (ii) enters (or procures the entry of) the name of each such Scheme Shareholder in the records maintained by CDN as the holder of the Lion One CDIs issued to that Scheme Shareholder on the Implementation Date.
- (c) on the Implementation Date, passing a resolution of directors and doing all other things necessary to validly issue to the Sale Agent all the Lion One Shares required to be issued to the Sale Agent under the Scheme rather than to an Ineligible Foreign Holder or a Small Shareholder who elects to receive cash proceeds instead of New Lion One CDIs, and entering the name and registered address of the Sale Agent in the register of members of Lion One as the holder of those Lion One Shares;
- (d) within 5 Business Days after the Implementation Date, dispatching by pre-paid post to CDN or to the Sale Agent (as the case may be), a certificate or uncertificated holding statement representing the number of Lion One Shares issued to that entity as the registered holder of those Lion One Shares;
- (e) on the Implementation Date, if required by Avocet, executing a valid share transfer form or forms (which may be a master transfer) as contemplated by clause 4.3 of the Scheme effecting the transfer of the Scheme Shares from the Scheme Shareholders to Lion One and must deliver such executed share transfer form or forms to Avocet for registration; and
- (f) procuring, as soon as reasonably practicable (and in any event not more than 15 Business Days after the Implementation Date) that the Sale Agent sell any Lion One Shares issued to it and remit the proceeds to the relevant Ineligible Foreign Holders and Small Shareholders, in accordance with the Scheme.

3.3 Ineligible Foreign Holders

Lion One will be under no obligation under the Share Scheme to issue, and will not issue, any New Lion One CDIs to an Ineligible Foreign Holder, and instead where a Scheme Shareholder is an Ineligible Foreign Holder, the number of New Lion One CDIs to which the Scheme Shareholder would otherwise be entitled, will be allotted to a nominee approved by Lion One, Avocet and (if necessary) ASIC (or other applicable regulatory authority in Canada) in the form of Lion One Shares who will sell those Lion One Shares as soon as practicable (at the risk of that Ineligible

Foreign Holder) and pay the proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to that Ineligible Foreign Holder in full satisfaction of that Ineligible Foreign Holder's rights under the Share Scheme to Scheme Consideration.

3.4 Small Shareholders

Scheme Shareholders who are entitled to receive 500 or less New Lion One CDIs (or such other number as may be agreed between Lion One and Avocet in writing) under the Share Scheme will be given the option to have those New Lion One CDIs allotted in the form of Lion One Shares to a nominee approved by Lion One, Avocet and (if necessary) ASIC (or other applicable regulatory authority in Canada) who will sell those Lion One Shares as soon as practicable (at the risk of the Scheme Shareholder) and pay the proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to that Scheme Shareholder in full satisfaction of that Scheme Shareholder's rights under this Deed to Share Scheme Consideration.

3.5 Joint holders

In the case of Avocet Shares held by Scheme Shareholders in joint names:

- (a) any entry in the register of members of Lion One required to be made must record the names and registered addresses of the joint holders; and
- (b) any certificates or uncertificated holding statement for New Lion One CDIs must be issued to Scheme Shareholders in the names of the joint holders and must be forwarded to the holder whose name first appears in Avocet's share register at the Record Date.

4. Representations and warranties

Lion One represents and warrants that:

- (a) **(status)** it is a company limited by shares and validly existing;
- (b) **(power)** it has full legal capacity and power to enter into this Deed and to carry out the transactions that this Deed contemplates;
- (c) **(corporate authority)** it has taken all corporate action that is necessary or desirable to authorise its entry into this Deed and its carrying out the transactions this Deed contemplates; and
- (d) **(Deed effective)** this Deed constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms (except to the extent limited by equitable principles and laws affecting creditor's rights generally) subject to any necessary stamping;
- (e) **(New Lion One Shares rank equally)** each of the New Lion One Shares to be issued pursuant to the Scheme will be validly issued, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest and will rank equally in all respects with all other Lion One Shares then on issue (other than in respect of any dividend already declared and not yet paid by Lion One, where the record date for entitlement to that dividend occurred prior to the Implementation Date).

- (f) **(New Lion One CDIs rank equally)** each of the New Lion One CDIs to be issued pursuant to the Scheme will be validly issued, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest and will rank equally in all respects with all other New Lion One CDIs to be issued pursuant to the Scheme.

5. Continuing obligations

This Deed is irrevocable and, subject to clause 2, remains in full force and effect until Lion One has completely performed its obligations under this Deed or the earlier termination of this Deed under clause 2.

6. Notices

Each communication (including each notice, consent, approval, request and demand) under or in connection with this Deed:

- (a) must be in writing;
- (b) must be addressed to the address notified by the recipient to the sender from time to time. As at the date of this Deed, Lion One's address is the address as set out at the start of this Deed;
- (c) must be signed by the sender or (on that sender's behalf) by the solicitor for or any attorney, director, secretary or authorised agent of that sender;
- (d) must be delivered by hand or posted by prepaid post to the address, or sent by fax to the number, of the addressee in accordance with clause (c); and
- (e) is taken to be received by the addressee:
 - (i) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
 - (ii) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting;
 - (iii) (in the case of facsimile) at the time in the place to which it is sent equivalent to the time shown on the transmission confirmation report produced by the facsimile machine from which it was sent or other verification from the time of sending; and
 - (iv) (in the case of delivery by hand) on delivery,

but if the communication would, on the application of clauses (i) to (iv), be taken to be received on a day that is not a Business Day or after 5.00pm on a Business Day, it is taken to be received at 9.00am on the next Business Day.

7. Amendment and assignment

7.1 Amendment

This Deed may not be varied unless:

- (a) before the Second Court Date, the variation is agreed to in writing by Avocet; or
- (b) on or after the Second Court Date, the variation is agreed to in writing by Avocet and is approved by the Court,

and, in which case, Lion One will enter into a further deed poll in favour of Scheme Shareholders giving effect to that amendment.

7.2 Assignment

The rights and obligations of a person under this Deed are personal. They cannot be assigned, novated, encumbered, charged or otherwise dealt with, and no person shall attempt or purport to do so.

8. General

8.1 Governing law

This Deed is governed by and must be construed according to the law applying in Western Australia.

8.2 Jurisdiction

Each party irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of Western Australia, and any courts competent to determine appeals from any of those courts, with respect to any proceedings that may be brought at any time relating to or in connection with this Deed; and
- (b) waives any objection that it may now or in the future have to the venue of any proceedings, and any claim that it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 8.2(a).

8.3 Liability for expenses

Lion One is solely responsible for, and must indemnify each Scheme Shareholder against, and must pay each Scheme Shareholder on demand the amount of, any duty that is payable and any related fines, interest and penalties in respect of or in connection with this Deed, the performance of this Deed and each transaction effected by or made or any instrument executed under this Deed or the Scheme, including the transfer of Scheme Shares under the Scheme.

8.4 Waiver of rights

- (a) Failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement, of a right provided by law or under this Deed by a party does not preclude, or operate as a waiver of, the exercise or

enforcement, or further exercise or enforcement, of that or any other right provided by law or under this Deed.

- (b) A waiver or consent given by a party under this Deed is only effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of a term of this Deed operates as a waiver of another breach of that term or of a breach of any other term of this Deed.

8.5 Consent

Lion One consents to Avocet producing this Deed to the Court.

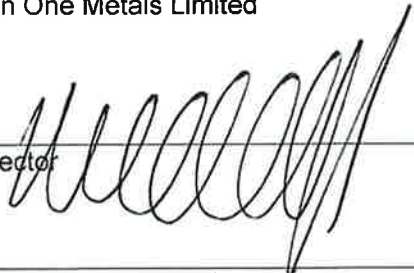
8.6 Further acts and documents

Lion One must promptly do all further acts and execute and deliver all further documents (in such form and content reasonably satisfactory to Avocet) required by law or reasonably requested by Avocet to give full effect to this Deed and the transactions contemplated by this Deed.

8.7 Severance and enforceability


Any provision, or the application of any provision, of this Deed that is void, illegal or unenforceable in any jurisdiction does not affect the validity, legality or enforceability of that provision in any other jurisdiction or of the remaining provisions of this Deed in that or any other jurisdiction.

Executed as a deed poll by
Lion One Metals Limited

Director


Full name (please print)

)
)
)

Director/Secretary


Hamish Greig

Full name (please print)

Annexure F

Comparison of Relevant Laws

1.1 Introduction

Avocet is a public company registered in Western Australia under Australian law. It is admitted to the official list of ASX.

Lion One exists and is regulated under Canadian law. Lion One Shares are listed on TSX-V, OTCQX and FSE. As Lion One is a 'reporting issuer' in certain provinces of Canada, it is subject to Canadian securities laws, and due to its listing on TSX-V, OTCQX and FSE, is also subject to the rules of each of the TSX-V, OTCQX and the FSE.

If the Scheme is implemented, the rights of Avocet Shareholders who receive Lion One Shares will, in respect of those shares, be governed principally by Lion One's Articles and Notice of Articles, Canadian securities laws and the rules of TSX-V, OTCQX and FSE.

A comparison of some of the material provisions of Australian company law and Canadian company law as they relate to Avocet and Lion One, respectively, is set out below, along with a description of certain securities laws and stock exchange rules where applicable.

Canadian company law is essentially embodied in the provisions of the relevant federal, provincial or territorial corporate statute pursuant to which a company is incorporated or continued. In the case of Lion One, the relevant statute is the *Business Corporations Act* (British Columbia) (the "**BCBCA**").

References to 'Australian law' where they appear in this section are references to the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and Australian common law, as applicable. References to 'Canadian law' are references to the BCBCA, Canadian corporate and securities laws and Canadian common law, as applicable. References to 'TSX-V Rules' are references to the market rules of the TSX-V, primarily embodied in the TSX Venture Exchange Corporate Finance Manual.

References to 'Market Rules' are references to the TSX-V Rules as well as the market rules of the OTCQX and FSE where Lion One has a secondary listing.

The comparison below is not an exhaustive statement of all relevant laws, rules and regulations and is intended as a general guide only. Avocet Shareholders should consult with their own legal adviser if they require further information.

1.2 Meetings of shareholders

Calling meetings

Avocet

Under Australian law, the annual general meeting of Avocet is required to be held within five months after the end of its financial year.

A general meeting of Avocet Shareholders may be called from time to time by the Avocet Board, individual directors or by shareholders in the circumstances set out below.

When requested to do so by shareholders holding at least 5% of the votes that may be cast at the meeting or at least 100 shareholders who are entitled to vote at the meeting, directors must call a general meeting within 21 days after the request is given to Avocet, and the meeting must be held not later than two months after the request is given.

Alternatively, shareholders holding at least 5% of the votes that may be cast at the meeting may themselves call, and arrange to hold, a general meeting.

Lion One

Under the BCBCA, an annual meeting of shareholders must be held at least once in each calendar year and not more than 15 months after the last preceding annual meeting.

The BCBCA as well as Lion One's Articles provide that the Lion One Board may call a meeting of shareholders at any time. The BCBCA further provides that the holders of not less than 5% of the issued Lion One Shares that carry the right to vote at general meetings may requisition the Directors to call a meeting of Lion One shareholders for the purposes stated in the requisition.

Notice of meetings

Avocet

As Avocet is quoted on ASX, notice of a general meeting of Avocet must be given at least 28 days before the date of the meeting. Avocet is required to give notice only to shareholders entitled to vote at the meeting, as well as its directors and auditors.

The quorum for a meeting under the Avocet Constitution is three shareholders. However, if within 15 minutes after the time for a meeting a quorum is not present, the meeting:

- if called by, or upon the requisition of, shareholders, is dissolved; and
- in any other case, is adjourned to the same day in the next week place (or if that day is not a Business Day, then the first Business Day after that) or to such other day, time and place that the directors may by notice to the shareholders appoint.

If a meeting is adjourned and no quorum is present at the resumed meeting within 30 minutes after the time for the meeting, the quorum is reduced to two shareholders.

Lion One

The BCBCA and Lion One's Articles requires that notice of a meeting of shareholders for public companies must be provided not less than 21 days, but not more than 2 months before the meeting. However, public companies incorporated under the BCBCA are also subject to the requirements of National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**"), which provides for minimum notice periods of greater than the minimum twenty-one (21) day period in the statute. Under NI 54-101, the record date for determining the registered shareholders that are entitled to receive notice of the meeting may not be less than 30 days nor more than 60 days prior to the date for the meeting, subject to certain exceptions. In addition, as a "reporting issuer" under NI 54-101, Lion One is required, subject to certain exemptions, to notify certain intermediaries at least 25 days prior to the record date.

Under the BCBCA, Lion One is required to give notice only to registered shareholders entitled to vote at the meeting as well as its directors. Under applicable Canadian securities laws, Lion One is also required to give notice to certain beneficial shareholders.

Notice of a meeting at which special business is to be transacted must state the nature of that business in sufficient detail to permit a shareholder to form a reasoned judgement on that business, as well as the text of any special resolution to be submitted to the meeting. In addition, Lion One is also required to provide or make available to shareholders, any document to be approved in connection with the special business at the meeting. Lion One's Articles provide that any business transacted at an annual meeting of shareholders, except for the following is deemed to be special business:

- business relating to the conduct of or voting at the meeting;
- consideration of any financial statements of Lion One presented to the meeting;
- consideration of any reports of the directors or auditor;
- the setting or changing of the number of directors;
- the election or appointment of directors;
- the appointment of an auditor;
- the setting of the remuneration of an auditor;
- business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution;
- any other business which, under the Articles or the BCBCA, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

Management proxy circulars, in the required form, are required to be provided under applicable Canadian securities law, for any solicitation of proxies by management.

Under Lion One's Articles, the chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. It is not necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

Lion One's Articles provide that, subject to any special rights attaching to shares (of which there are presently none), the presence of at least one shareholder present in person or represented by proxy at any meeting of shareholders will constitute a quorum for the transaction of business at that meeting. A quorum need not be present throughout the meeting provided a quorum is present at the opening of the meeting.

Voting requirements

Avocet

Unless the Corporations Act or the constitution of Avocet requires a special resolution, resolutions are passed by a simple majority of votes cast on the resolution. Under the Corporations Act, a special resolution may be passed by Avocet if not less than 28 days' notice of a general meeting is given, specifying the intention to propose the special resolution and stating the resolution. A special resolution must be passed by at least 75% of the votes cast by shareholders entitled to vote.

The Corporations Act requires certain matters to be resolved by a company by special resolution, including:

- the change of name of the company;
- a selective reduction of capital or selective share buy-back;
- the giving by the company of financial assistance in connection with an acquisition of shares in the company;
- the conversion of the company from one type or form to another; and
- a decision to wind up the company voluntarily.

Under the Corporations Act, a special resolution is also required to modify or repeal the Avocet Constitution.

The Avocet Constitution also stipulates certain matters to be resolved by special resolution, including the variation of class rights attaching to shares and the exercise of certain powers by a liquidator on a winding up.

Each Avocet share (subject to any specific terms of issue) confers a right to vote at all general meetings. On a show of hands, each Avocet Shareholder present in person, or by proxy, attorney or body corporate representative, has one vote. If a poll is held, Avocet Shareholders present in person or by their proxy, attorney or body corporate representative will have one vote for every Avocet share held at the record date for the meeting.

The Avocet Constitution provides that a poll may be demanded by the chairman of the general meeting, at least five shareholders entitled to vote on the resolution or shareholders holding at least 5% of the votes that may be cast on the resolution on a poll.

A proxy's appointment must be signed and sent to Avocet so as to be received at least 48 hours before a meeting.

Lion One

Under the BCBCA, certain extraordinary corporate actions, such as amalgamations, continuances, reorganizations and other extraordinary corporate actions such as liquidations (winding-ups) and arrangements, require approval of the shareholders by special resolution. The BCBCA permits amalgamations with companies not incorporated under the BCBCA. Under the BCBCA, a resolution passed by a special majority at a general meeting for which proper notice has been provided constitutes a special resolution. A special majority is a majority of votes, as specified by the Articles, that is at least three quarters of the votes cast on the resolution. The BCBCA and Lion One's Articles provide that a special majority of votes is required for Lion One to pass a special resolution at a meeting of shareholders. Unless the BCBCA or Lion One's Articles requires a special resolution, ordinary resolutions of Lion One's shareholders are passed by a simple majority of votes cast on the resolution. Additionally, under the BCBCA, a resolution consented to in writing by all of the shareholders holding shares that carry the right to vote at general meetings constitutes a special resolution.

The BCBCA provides that, unless Lion One's Articles provide otherwise, each Lion One Share entitles the holder to one vote at a meeting of shareholders. Furthermore, the BCBCA and Lion One's Articles state that voting is to be conducted by a show of hands, unless a poll is demanded. On a show of hands, each holder of Lion One Shares present in person or by proxy and entitled to vote has one vote. If a poll is called, each holder of Lion One Shares present in person or by proxy

will have one vote for each Lion One Share held. Lion One's Articles provide that a poll may be demanded by any shareholder or proxyholder entitled to vote at the meeting. The BCBCA also provides that holders of shares of a class or a series are entitled to vote separately as a class or series on certain proposals to amend the Articles that affect the rights of such holders, whether or not such shares carry the right to vote.

Lion One's Articles allow the Lion One Board to specify in a notice calling a meeting of shareholders any time, or if not specified, a time not exceeding 2 business days (excluding Saturdays, Sundays and statutory holidays) preceding the meeting or an adjournment of the meeting, before which time proxies to be used at the meeting must be deposited with the company or its agent.

Shareholders' rights to bring a resolution before a meeting

Avocet

Under the Corporations Act, Avocet Shareholders holding at least 5% of the votes that may be cast at a general meeting or at least 100 shareholders who are entitled to vote at the meeting may, by written notice to Avocet, propose a resolution for consideration at the next general meeting occurring more than two months after the date of the notice.

Lion One

A shareholder proposal (a "**Proposal**") is a document setting out a matter that the submitter wishes to have considered at the next annual general meeting of Lion One. Under the BCBCA, Proposals may be submitted by both registered and beneficial shareholders who are entitled to vote at an annual shareholders' meeting who in the aggregate constitute at least one percent of the Lion One Shares or have Lion One Shares with a fair market value more than CAD \$2,000, provided that the shareholder has been a registered owner or beneficial owner of one or more Lion One Shares for an uninterrupted period of at least two years before the date of the signing of the Proposal. Such entitled shareholder may not submit a Proposal if within two years of the date of signing the Proposal, the person failed to present, in person or by proxy, at an annual general meeting, an earlier Proposal of which they were the submitter and in response to which Lion One had complied with the technical requirements for Proposals under the BCBCA. A Proposal must be received at the registered office of Lion One at least 3 months before the anniversary of the previous year's annual reference date.

If a Proposal has been submitted in accordance with the BCBCA, Lion One would then be required to set out the text of the Proposal in its management proxy circular (and, if requested by the person submitting the Proposal, include or attach in its management proxy circular a statement by the shareholder in support of the Proposal not exceeding 1,000 words).

The BCBCA provides for exemptions from the requirements to include a Proposal in Lion One's management proxy circular in certain circumstances, including where:

- the directors have called an annual general meeting to be held after the date on which the Proposal is received by the company and have sent notice of that meeting;
- the Proposal is not valid, as it does not meet the requirements set out above;
- substantially the same proposal was submitted to shareholders in a notice of meeting, or an information circular or equivalent, relating to a general meeting that was held not more than 5 years before the receipt of the Proposal, and did not receive the prescribed amount of support at the meeting;

- it clearly appears that the Proposal does not relate in a significant way to the business or affairs of the company;
- it clearly appears that the primary purpose for the Proposal is (i) securing publicity, or (ii) enforcing a personal claim or redressing a personal grievance against the company or any of its directors, officers or security holders;
- the Proposal has already been substantially implemented;
- the Proposal, if implemented, would cause the company to commit an offence; or
- the Proposal deals with matters beyond the company's power to implement

1.3 Directors

Directors' management of the business of the company

Avocet

Under the Avocet Constitution, the business of Avocet is to be managed by or under the direction of the directors. The directors may exercise all the powers of Avocet, except any powers that the Corporations Act, the ASX Listing Rules or the Constitution requires Avocet to exercise in a general meeting.

Lion One

According to the BCBCA and the Articles of Lion One, Lion One Directors shall manage or supervise the management of the business and affairs of Lion One.

The Lion One Directors may appoint officers of Lion One and specify their duties. According to the Lion One Articles, the Lion One Directors may, for each officer: (a) determine the functions and duties of the officer; (b) entrust to and confer on the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and (c) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

The Lion One Directors may also appoint one or more committees (other than the executive committee) consisting of the director or directors that they consider appropriate and may delegate to such committee any of the Directors' powers, except: (i) the power to fill vacancies in the board of directors; (ii) the power to remove a director; (iii) the power to change the membership of, or fill vacancies in, any committee of the directors; and (iv) the power to appoint or remove officers appointed by the directors.

Number and election of directors

Avocet

Under the Avocet Constitution, Avocet must have no less than three, nor more than 5, directors.

At each annual general meeting, one-third of directors (or the number nearest to one-third) must retire from office but no director may retain office past the third annual general meeting following the director's appointment or three years (whichever is longer). The director or directors to retire are those who have been longest in office since their election and, as between those who became directors on the same day, as determined by lot unless they otherwise agree. A retiring director is eligible for re-election. The managing director is exempt from retirement by rotation. Casual vacancies between annual general meetings may be filled by the Avocet Board,

and the Avocet Board has the power to appoint additional directors, but so that the total number of directors does not at any time exceed 5.

Lion One

According to the BCBCA and Lion One's Articles, because Lion One is a public company, it must have a minimum of three directors. Lion One Articles provide shareholders with the right to set the number of directors by ordinary resolution.

The BCBCA does not contain any Canadian residency requirements in respect of the composition of the Board of Lion One. Lion One's Articles provide that the election of directors shall take place at each annual meeting of shareholders and all the directors then in office shall cease to hold office immediately before the election or appointment of directors, but are eligible for re-election or re-appointment. The number of directors to be elected must be the number set under the Articles unless the shareholders determine otherwise. Casual vacancies between annual meetings may be filled by the Lion One Board, and the Lion One Board has the power to appoint additional directors up to one-third of the number of directors elected at the previous annual meeting.

Removal of directors

Avocet

Avocet Shareholders may (without cause) remove a director before their period of office ends by passing a resolution to do so at a general meeting. The resolution must be passed by a majority of the votes cast by shareholders present and voting. Avocet directors cannot themselves remove a director from his or her office or require a director to vacate his or her office.

Lion One

The BCBCA and the Lion One Articles provide that the Shareholders may remove one or more directors by a special resolution.

The Lion One Directors cannot themselves remove a director from his or her office or require a director to vacate his or her office, unless the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of Lion One and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

1.4 Amendments to constituent documents

Avocet

Any amendment to the Avocet Constitution must be approved by a special resolution passed by Avocet Shareholders present and voting on the resolution.

Lion One

Lion One's charter documents consist of a "notice of articles", which sets forth the name of the company and the amount and type of authorized capital, and "articles" which govern the management of the company. The notice of articles is filed with the Registrar of Companies and the articles are filed with the company's registered and records office. Subject to the BCBCA, Lion One's Articles regulate the business and affairs of the company and provide for matters including the allotment and issuance of shares, the calling of, and voting at, shareholders' and directors' meetings and the quorum requirements for such meetings, elections of the board of directors and appointment of officers, the payment of dividends, the borrowing powers and restrictions on a corporation, filling of vacancies, notices, types and duties of officers, the

appointment of committees and other routine conduct.

The required authorization to amend the Notice of Articles or Articles of Lion One under the BCBCA will be specified in the BCBCA or the Articles of Lion One based on the type of resolution. In many instances, including a change of name or amendments to the Articles, the BCBCA or the Articles may provide for approval solely by a resolution of the directors or by ordinary resolution of the shareholders. If the type of resolution is not specified in the BCBCA or the Articles, most amendments will require a special resolution of the shareholders to be approved by not less than two-thirds of the votes cast by the shareholders voting on the resolution. Amendments to the special rights and restrictions attached to issued shares require, in addition to any resolution provided for by the Articles, consent by a special resolution of the holders of the class or series of shares affected.

1.5 Issue of new shares

Avocet

Subject to specified exceptions (for example, pro rata issues), the ASX Listing Rules apply to restrict Avocet from issuing, or agreeing to issue, more ordinary shares than the number calculated as follows in any 12 month period unless Avocet has shareholder approval:

15% of the total of:

- the number of fully paid ordinary shares on issue 12 months before the date of the issue or agreement; plus
- the number of fully paid ordinary shares issued in the 12 months under a specified exception; plus
- the number of partly paid ordinary shares that became fully paid in the 12 months; plus
- the number of fully paid ordinary shares issued in the 12 months with shareholder approval; less
- the number of fully paid ordinary shares cancelled in the 12 months,

less the number of ordinary shares issued or agreed to be issued in the 12 months before the date of issue or agreement to issue, but not under a specified exception or with shareholder approval.

Subject to certain exceptions, ASX Listing Rules 10.11 and 10.14 require the approval of Avocet Shareholders by ordinary resolution in order for Avocet to issue shares or options to directors. Under the Avocet Constitution, Avocet directors may issue shares on terms determined by the directors at such times as they think fit, subject to the Corporations Act, the ASX Listing Rules, and any special rights previously conferred on the holders of any existing shares or class of shares.

Lion One

The BCBCA permits shares with or without par value. According to Lion One's Notice of Articles, Lion One is authorised to issue 100,000,000 Lion One Shares without par value. Lion One Shares may be issued for such consideration as Lion One's Directors may determine. Shares, such as Lion One Shares issued by a company governed by the BCBCA, are non-assessable and may only be issued if consideration for such shares is fully paid.

As a TSX-V listed company, issuances of securities by Lion One require the approval of TSX-V. TSX-V may impose conditions on a transaction or grant exemptions from its own requirements. TSX-V will consider various factors, including the involvement of insiders in the transaction, whether the

transaction materially affects control of the issuer, and whether a court or administrative body has considered the interest of Lion One securityholders.

TSX-V will generally require securityholder approval for: (a) any transaction which results in the creation of a new Control Person (defined below); (b) any transaction where the number of securities issued or issuable to non-arm's length parties as a group as payment of the purchase price for an acquisition, exceeds 10% of the number of outstanding securities of the company; and (c) the sale of more than 50% of the company's assets, business or undertaking.

The TSX-V defines "**Control Person**" as any person that holds or is one of a combination of persons that holds a sufficient number of any of the securities of a company so as to affect materially the control of that company, or that holds more than 20% of the outstanding voting shares of a company except where there is evidence showing that the holder of those securities does not materially affect the control of the company.

For distributions of listed securities in reliance on a prospectus exemption (known as private placements), TSX-V may require securityholder approval if the transaction results in the creation of a new Control Person. The TSX-V may also require securityholder approval for a private placement that appears to be undertaken as a defensive tactic to a takeover bid or if the issuance of securities pursuant to the private placement is a related party transaction.

TSX-V also requires securityholder approval of any stock option plan that, together with all of the company's other previously established stock option plans or grants, could result at any time in the number of listed shares reserved for issuance under stock options exceeding 10% of the issued shares. Rolling plans must receive shareholder approval yearly, at the company's Annual General Meeting. Fixed number plans must receive shareholder approval at the time the plan is to be implemented, and at such time the number of shares reserved for issuance under the plan is amended.

Certain substantive requirements are imposed that must be complied with: exercise prices may not be lower than the last closing price of the listed shares before the date of the stock option grant (less the applicable discount); options can be exercisable for a maximum of 10 years from the date of grant; there must be a maximum number or percentage of securities issuable; and most amendments also require securityholder approval.

1.6 Variation of class rights

Avocet

Under the Avocet Constitution, rights attaching to a class of shares may only be varied or cancelled with the sanction of a special resolution of Avocet Shareholders and either:

- by special resolution passed at a meeting of the shareholders holding shares in the class; or
- with the written consent of shareholders with at least 75% of the votes in the class.

Lion One

In accordance with the BCBCA, amendments to the special rights and restrictions attached to any issued shares of Lion One require, in addition to any resolution provided for by the Articles, consent by a special resolution of the holders of the class or series of shares affected.

1.7 Protection of minority shareholders/oppression remedy

Avocet

Under the Corporations Act, any Avocet Shareholder can bring an action in cases of conduct which is contrary to the interests of shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any shareholder(s), whether in their capacity as a shareholder or in any other capacity. Former shareholders can also bring an action if it relates to the circumstances in which they ceased to be a shareholder.

A statutory derivative action may also be instituted by an Avocet Shareholder, former shareholder or person entitled to be registered as a shareholder. In all cases, leave of the court is required. Such leave will be granted if the court is satisfied that:

- it is probable that Avocet will not itself bring the proceedings or properly take responsibility for them or for the steps in them;
- the applicant is acting in good faith;
- it is in the best interest of Avocet that the applicant be granted leave;
- if the applicant is applying for leave to bring proceedings, there is a serious question to be tried; and
- either at least 14 days before making the application, the applicant gave written notice to Avocet of the intention to apply for leave and the reasons for applying, or it is otherwise appropriate to grant leave.

Lion One

Under the BCBCA, a shareholder of a company and any other person whom the court considers an appropriate person to make an application has the right to apply to court on the grounds that: (i) the affairs of the company are being or have been conducted, or that the powers of the directors are being or have been exercised, in a manner oppressive to one or more of the shareholders, including the applicant, or (ii) some act of the company has been done or is threatened, or that some resolution of the shareholders or of the shareholders holding shares of a class or series of shares has been passed or is proposed, that is unfairly prejudicial to one or more of the shareholders, including the applicant. On such an application, the court may make such order as it sees fit, including an order to prohibit any act proposed by the company.

Under the BCBCA, a shareholder or director of a company and any person who, in the discretion of the court, is a proper person to make an application to court to bring an action on behalf of a company (derivative action) may, with judicial leave: (i) bring an action in the name and on behalf of the company to enforce an obligation owed to the company that could be enforced by the company itself or to obtain damages for any breach of such an obligation or (ii) defend, in the name and on behalf of the company, a legal proceeding brought against the company. Shareholder approval of the alleged breach of right, duty, or obligation owed to the company is not determinative but will be taken into account.

To bring a derivative action, it is first necessary to obtain the leave of the court. The granting of leave is not automatic, but requires the court to exercise judicial discretion. The court may grant leave if:

- the complainant has made reasonable efforts to cause the directors of the company to prosecute or defend the legal proceeding;

- notice of the application for leave has been given to the company and to any other person the court may order;
- the complainant is acting in good faith; and
- it appears to the court that it is in the best interests of the company for the legal proceeding to be prosecuted or defended.

The court has broad powers to direct the conduct of any such legal proceeding.

In addition to the above, a Lion One Shareholder may be able to bring a claim against Lion One based on the general laws of contract, tort or other laws applicable in Canada.

The BCBCA provides that Lion One shareholders entitled to vote on certain matters may exercise dissent rights and demand payment for the fair value of their shares (as of the last business day before the day the resolution on which the shareholder dissent was adopted), provided that they comply strictly with the requirements in the BCBCA. Dissent rights exist when there is a vote upon matters such as:

- any adoption of an amalgamation agreement or an amalgamation in certain instances;
- an alteration to Lion One's Articles to alter restrictions on the powers of Lion One or on the business it is permitted to carry on;
- an arrangement, the terms of which arrangement permit dissent;
- a resolution, if dissent is authorized by the resolution;
- a continuance under the laws of another jurisdiction;
- a sale, lease or other disposition of all or substantially all the undertaking of Lion One.

There is no right of dissent in respect of an amalgamation between Lion One and any of its wholly-owned subsidiaries.

A court may also make an order permitting a Shareholder to dissent.

1.8 Source and payment of dividends

Avocet

Under the Avocet Constitution, Avocet may pay dividends only out of profits. In addition, under the Corporations Act, Avocet must not pay a dividend unless Avocet's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend, the payment of the dividend is fair and reasonable to the Avocet Shareholders as a whole, and the payment of the dividend does not materially prejudice Avocet's ability to pay its creditors. Under the Avocet Constitution, the directors may determine that a dividend is payable and fix the amount, the time for determining entitlements to the dividend, the time for payment and the method of payment.

Lion One

The BCBCA provides that Lion One may pay a dividend by issuing fully paid shares or in money or property. However, Lion One may not declare or pay a dividend if there are reasonable grounds for believing that it is insolvent, or the payment of the dividend would render Lion One insolvent. Dividends may be subject to withholding taxes.

1.9 Remuneration of directors and officers

Avocet

Under the ASX Listing Rules, the maximum amount to be paid to directors for their services as directors (other than the salary of an executive director) is not to exceed the amount approved by shareholders in general meeting. The latest approval was at Avocet's annual general meeting, at which Avocet Shareholders approved aggregate remuneration for directors of AUD \$400,000 per year.

The Corporations Act provides that Avocet Shareholders are entitled to participate in a non-binding vote, to be held at the annual general meeting, on the adoption of the remuneration report of the company. The remuneration report is included in the directors' report and is required to contain a discussion of the Avocet Board's policy in relation to remuneration of key management personnel of the company.

Where the resolution that the remuneration report be adopted receives a 'no' vote of 25% or more of the votes cast for two consecutive years, a resolution must be put to shareholders that:

- another meeting be held within 90 days (the **Spill Meeting**);
- all of the company's directors (excluding any managing directors) who were directors when the directors resolved that the directors' report be considered at the later of the two annual general meetings will cease to hold office immediately before the end of the Spill Meeting; and
- resolutions be put to the vote at the Spill Meeting to appoint new directors (which may include the re-appointment of some or all of the directors who will cease to hold office at the end of the Spill Meeting).

Lion One

Under Lion One's Articles, the Lion One Directors may fix the remuneration of the directors, officers and employees of Lion One. Additional remuneration may be paid above this fixed amount to directors providing professional or other services to Lion One outside the ordinary duties of a director. Under applicable Canadian securities law, a report on executive compensation is required to be included in the management proxy circular in connection with the annual meeting each year.

1.10 Retirement benefits

Avocet

Formerly, the Corporations Act allowed a company to pay benefits to directors and officers on their retirement or termination of up to seven times the director's or officer's total annual remuneration. Benefits above that limit could only be paid on shareholder approval.

Under reforms effected by the *Corporations Amendment (Improving Accountability on Termination Payments) Act 2009* (Cth), retirement or termination benefits that can be paid to company directors, senior executives and key management personnel without shareholder approval have been significantly reduced. The threshold above which shareholder approval is required is the equivalent of one year's base salary. The Corporations Act provides a mechanism for calculating that threshold, including by averaging salary over the past three years.

The changes affect only benefits under contracts of employment that are executed on or after the commencement date of the Act (24 November 2009), or where a contract is varied or extended on or after that date.

In addition, the ASX Listing Rules provide that Avocet must ensure that no officer of the company may be entitled to termination benefits (or any increase in them) if a change occurs in the shareholding or control of Avocet. Further, Avocet Shareholder approval is required if the value of the termination benefits that may become payable to all officers together exceeds 5% in aggregate of Avocet's equity interests.

Lion One

Other than as determined by ordinary resolution of its shareholders, Lion One is not subject to any restrictions on the quantum of retirement benefits that it may pay to its directors and officers.

1.11 Fiduciary duties of directors and officers

Avocet

Under Australian common law, the directors and officers of Avocet are subject to duties to:

- act in good faith in the interests of Avocet;
- act for a proper purpose;
- not fetter their discretion (in the case of directors only);
- exercise care, skill and diligence;
- avoid conflicts of interest;
- not use their position to their advantage or the advantage of somebody else; and
- not misappropriate company property.

Lion One

In accordance with applicable Canadian law, every director and officer of Lion One, in exercising their powers and discharging their duties, must:

- act honestly and in good faith with a view to the best interests of Lion One (commonly referred to as the “duty of loyalty”);
- exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances (commonly referred to as the “duty of care”);
- comply with the BCBCA and its underlying regulations and Lion One’s Articles;
- act for a proper purpose;
- not fetter their discretion;
- avoid conflicts of interest;
- not use their position to their advantage;
- not misappropriate property belonging to the company, or use property belonging to the company for the director’s or officer’s benefit; and

- not take advantage of or misappropriate a corporate opportunity that the director or officer of a corporation comes across in the course of discharging his or her duties to the corporation.

1.12 Release from liability and indemnification of directors and officers

Avocet

Avocet cannot:

- exempt an officer from liability to it incurred in his capacity as an officer;
- indemnify an officer against a liability owed to it or a related body corporate; or
- indemnify an officer or former officer against the cost of legal proceedings, including where such proceedings result in them being found to have a liability to it or a related body corporate or being found guilty in criminal proceedings.

However, Avocet may indemnify an officer against a liability owed to someone other than Avocet or a related body corporate (and also the cost of any related legal proceedings), provided the liability does not arise out of conduct involving a lack of good faith or the liability is not a penalty or compensation order made under the Corporations Act. For the purposes of these provisions, an 'officer' includes a director, secretary or senior manager of Avocet.

The Avocet Constitution contains provisions indemnifying, to the maximum extent permitted by law, Avocet's past and existing directors, secretaries and other officers and, where the Avocet Board considers it appropriate, past and existing directors, secretaries and other officers of subsidiary of Avocet against any liability incurred by that person in his or her capacity as an officer of Avocet or of subsidiary of Avocet.

Lion One

The BCBCA provides that a Lion One Director is not liable if the director relies, in good faith, on:

- financial statements of Lion One represented to the director by an officer of Lion One or in a written report of the auditor of Lion One to fairly reflect the financial position of Lion One;
- a written report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by that person;
- a statement of fact represented to the director by an officer of Lion One to be correct;
- any record, information or representation that the court considers provides reasonable grounds for the actions of the director, whether or not (A) the record was forged, fraudulently made or inaccurate, or (B) the information or representation was fraudulently made or inaccurate.

A director is similarly not liable if the director did not know and could not reasonably have known that the act done by the director or authorized by the resolution voted for or consented to by the director was contrary to the BCBCA.

Lion One's Articles provide that, subject to the BCBCA, Lion One must indemnify a director, former director or alternate director of Lion One and his or her heirs and legal personal representatives against all eligible penalties (as defined below) to which such person is or may be liable, and Lion One must, after the final disposition of an eligible proceeding (as defined below), pay the expenses (as defined below) actually and reasonably incurred by such person in respect

of that proceeding. Each director and alternate director is deemed to have contracted with Lion One on the terms of the indemnity contained in the Articles.

“eligible penalty” means a judgement, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding.

“eligible proceeding” means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director, former director or alternate director of Lion One (an **“eligible party”**) or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director or alternate director of Lion One: (i) is or may be joined as a party; or (ii) is or may be liable for or in respect of a judgement, penalty or fine in, or expenses related to, the proceeding.

“expenses” includes costs, charges and expenses, including legal and other fees, but does not include judgments, penalties, fines or amounts paid in settlement of a proceeding.

According to the BCBCA, Lion One must not indemnify an eligible party or pay the expenses of an eligible party if any of the following circumstances apply:

- if the indemnity or payment is made under an earlier agreement to indemnify or pay expenses and, at the time that the agreement to indemnify or pay expenses was made, Lion One was prohibited from giving the indemnity or paying the expenses by its Articles;
- if the indemnity or payment is made otherwise than under an earlier agreement to indemnify or pay expenses and, at the time that the indemnity or payment is made, Lion One is prohibited from giving the indemnity or paying the expenses by its Articles;
- if, in relation to the subject matter of the eligible proceeding, the eligible party did not act honestly and in good faith with a view to the best interests of Lion One or an associated corporation, as the case may be;
- in the case of an eligible proceeding other than a civil proceeding, if the eligible party did not have reasonable grounds for believing that the eligible party's conduct in respect of which the proceeding was brought was lawful.

According to the BCBCA, whether or not payment of expenses or indemnification has been sought, authorized or declined under the BCBCA, on the application of Lion One or an eligible party, the court may do one or more of the following:

- order Lion One to indemnify an eligible party against any liability incurred by the eligible party in respect of an eligible proceeding;
- order Lion One to pay some or all of the expenses incurred by an eligible party in respect of an eligible proceeding;
- order the enforcement of, or any payment under, an agreement of indemnification entered into by Lion One;
- order Lion One to pay some or all of the expenses actually and reasonably incurred by any person in obtaining an order;
- make any other order the court considers appropriate.

The BCBCA and Lion One's Articles also authorise Lion One to purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

- is or was a director, alternate director, officer, employee or agent of Lion One;

- is or was a director, alternate director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of Lion One;
- at the request of Lion One, is or was a director, alternate director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity;
- at the request of Lion One, holds or held a position equivalent to that of a director, alternate director or officer of a partnership, trust, joint venture or other unincorporated entity,

against any liability incurred by him or her as such director, alternate director, officer, employee or agent or person who holds or held such equivalent position.

1.13 Transactions involving directors, officers or other related parties

Avocet

The Corporations Act prohibits a public company such as Avocet from giving a related party a financial benefit unless it:

- obtains the approval of shareholders and gives the benefit within 15 months after approval; or
- the financial benefit is exempt.

A related party is defined to include any entity which controls the public company, directors of the public company, directors of any entity which controls the public company and, in each case, spouses and certain relatives of such persons. Exempt financial benefits include indemnities, insurance premiums and payments for legal costs which are not otherwise prohibited by the Corporations Act and benefits given on arm's length terms.

ASX Listing Rules prohibit a listed company such as Avocet from acquiring a substantial asset (an asset the value or consideration for which is 5% or more of the entity's equity interests) from, or disposing of a substantial asset to, certain related parties of the company, unless it obtains the approval of shareholders. The related parties include a director, a person who has or has had in the prior six month period an interest in 10% or more of the shares in the company and, in each case, any of their associates. The provisions apply even where the transaction may be on arm's length terms.

ASX Listing Rules also prohibit a listed company such as Avocet from issuing or agreeing to issue shares to a director unless it obtains the approval of shareholders or the share issue is exempt. Exempt share issues include issues made pro rata to all shareholders, under an underwriting agreement or under a dividend or distribution plan.

Lion One

Lion One is subject to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") which imposes valuation, minority approval and disclosure requirements on entities involved in certain related party transactions. A related party transaction includes a transaction between an issuer and a person that is a related party to the issuer at the time that the transaction is agreed to, whether or not there are also other parties to the transaction, as a consequence of which, either through the transaction itself or together with a connected transaction, the issuer directly or indirectly, among other things:

- purchases or acquires an asset from the related party for valuable consideration;

- sells, transfers or disposes of an asset to the related party;
- leases property to or from the related party;
- acquires the related party or combines with the related party through an amalgamation, arrangement or otherwise;
- issues a security to, or subscribes for a security of the related party;
- materially amends the terms of an outstanding debt or liability owed by or to the related party, or the terms of an outstanding credit facility with the related party;
- provides a guarantee or collateral security for a debt or liability of the related party, or materially amends the terms of the guarantee or security; or
- borrows money from, lends money to the related party, or enters into a credit facility with the related party.

With respect to business combinations, MI 61-101 has two principal requirements: (i) that the issuer obtain a formal valuation in respect of the transaction; and (ii) that the issuer obtain minority approval of the transaction (i.e., approval by a majority of the affected securityholders, excluding the votes attached to affected securities held by parties interested in the business combination, related parties of an interested party, and persons acting jointly with interested parties).

Lion One is exempted from the requirement of obtaining a formal valuation because it is not listed on any of the specified exchanges listed in Section 4.4(1)(a) of MI 61-101.

MI 61-101 also requires an issuer to include certain detailed disclosure regarding related party transactions in a material change report that is required to be filed under MI 61-101 and in the management proxy circular that is sent to securityholders to obtain minority approval in respect of the related party transaction.

1.14 Directors' declarations of interest

Avocet

The Corporations Act generally requires an Avocet director who has a material personal interest in a matter that relates to the affairs of Avocet to give the other directors notice of that interest. That director must not be present at a meeting where the matter is being considered or vote on the matter unless the other directors or ASIC approve, or the matter is not one which requires disclosure under the Corporations Act. Under the Corporations Act, failure of a director to disclose a material personal interest, or voting despite a material personal interest, does not affect the validity of any act in which the director has an interest.

Avocet directors, when entering into transactions with Avocet, are subject to the common law and statutory duties to avoid conflicts of interest.

Lion One

According to the BCBCA and the Articles, a director or senior officer of Lion One holds a disclosable interest in a contract or transaction if the contract or transaction is material to Lion One, Lion One has entered or proposes to enter into the contract or transaction, and either the director or senior officer has a material interest in the contract or transaction or the director or senior officer is a director or senior officer, or has a material interest in, a person who has a material interest in the contract or transaction, subject to certain exceptions relating to contracts

between related parties and for directors or senior officers who are the sole shareholder of Lion One or its parent.

A director or senior officer with a disclosable interest is typically liable to account for any profit that accrues to the director or senior officer under the related contract or transaction.

If the contract or transaction is properly disclosed, the contract or transaction may be approved by the directors or by a special resolution, but the director or senior officer with a disclosable interest must not vote unless all directors have a disclosable interest in the contract or transaction.

A contract or transaction with Lion One is not invalid merely because a director or senior officer has an interest in the contract or transaction, a director or senior officer has not disclosed an interest that he or she has in a contract or transaction or the directors or shareholders of Lion One have not approved the contract or transaction in which the director or senior officer has an interest.

A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with their duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required.

A general statement in writing provided to Lion One by a director or senior officer with a disclosable interest will be sufficient disclosure. The disclosure must be evidenced in a consent resolution, the minutes of a meeting, or any other record deposited in Lion One's record office.

1.15 Takeovers requirements

Avocet

Australian law places restrictions on a person acquiring interests in the voting shares of a public company such as Avocet where, as a result of the acquisition, that person's or someone else's voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%. Generally, such acquisitions cannot be made unless the person does not acquire more than 3% of the voting shares in the company in the six month period before the acquisition, the acquisition is made with shareholder approval or the acquisition is made under a takeover bid made in accordance with Australian law. Takeover bids must treat all shareholders alike and must not involve any collateral benefits. Various restrictions about conditional offers exist and there are also substantial restrictions concerning the withdrawal and suspension of offers.

Lion One

Under applicable Canadian securities legislation, a "take-over bid" occurs when there is an "offer to acquire" outstanding voting or equity securities made to any person in any province or territory where the securities subject to the offer, together with the securities owned or controlled by the offeror and its affiliates and associates, constitute 20% or more of the outstanding securities.

Unless an exemption is available, a take-over bid must be made to all holders of each class of voting or equity securities being purchased, and the same price per security - that is, identical consideration - must be offered to each holder of securities. These provisions require, among other things, the production, filing and mailing of a takeover bid circular to shareholders of the target company. Takeover bids must treat all securityholders alike and must not involve any

collateral agreements, with certain exceptions for employment compensation arrangements. Takeover bids must remain open for a minimum of 35 days from the date of the mailing of the circular, after which time all securities deposited under the offer may be taken up.

For the protection of target securityholders, the takeover bid rules contain various additional requirements, such as restrictions applicable to conditional offers and the withdrawal, amendment or suspension of offers. Securities regulators also retain a general 'public interest jurisdiction' to regulate takeovers and may intervene to halt or prevent activity that is abusive. Issuer bids are regulated similarly to takeover bids.

There are extensive disclosure requirements associated with takeover bids, beginning with 'early warning' disclosure required when an acquirer crosses the 10% ownership threshold. Generally, further disclosure is required for additional purchases of 2% or more of the outstanding security for which such early warning disclosure is required. Purchases outside the bid, before, during, and after the bid, are also restricted.

Following a bid, second step transactions where the acquirer brings its percentage ownership to 100% are governed by the BCBCA. No shareholder approval of the acquisition would be required if the acquirer obtained 90% of the outstanding securities owned by minority securityholders during the bid. Otherwise, a meeting must be called and associated regulations complied with for an acquisition, including obtaining a two-thirds majority approval. The acquirer is generally permitted to vote the shares acquired pursuant to the bid at such meeting. Appraisal (or dissent) rights are available for objecting shareholders who fulfil certain procedural requirements.

Canadian securities laws allow certain exemptions to the formal bid requirements, on specified conditions. For example, private agreements to purchase securities from up to five persons are permitted if the purchase price does not exceed 115% of the market price. Under the normal course purchase exception, the offeror (together with any joint offerors) may acquire up to 5% of a class of securities within a 12-month period if there is a published market for the relevant class and the consideration paid does not exceed the market price at the date of acquisition.

Takeover defence mechanisms

Avocet

Under Australian takeovers legislation and policy, boards of target companies are limited in the defensive mechanisms that they can put in place to discourage or defeat a takeover bid, as such mechanisms may not always be in the best interests of the target company. Such tactics may also give rise to a declaration of unacceptable circumstances by the Australian Takeovers Panel.

Lion One

The Canadian securities regulatory authorities (**CSA**) have recognised that takeover bids play an important role in the economy by acting as a discipline on corporate management and as a means of reallocating economic resources to their best uses. In considering the merits of a takeover bid, there is a possibility that the interests of management of the target company will differ from those of its shareholders. The CSA considers the primary objective of the takeover bid provisions of Canadian securities legislation to be the protection of the bona fide interests of the shareholders of the target company. Because certain defensive measures taken by management of a target company may have the effect of denying shareholders the ability to make a fully formed decision and frustrating an open takeover bid process, the CSA will therefore examine target company defensive tactics in specific cases to determine whether they are abusive of shareholder rights.

Without limiting the foregoing, defensive tactics that may come under scrutiny if undertaken during the course of a bid, or immediately before a bid (if the board of directors has reason to believe that a bid might be imminent) include:

- the issuance of or granting of an option on or the purchase of, securities representing a significant percentage of the outstanding securities of the target company;
- the sale or acquisition or granting of an option, on or agreeing to sell or acquire assets of a material amount; and
- the entering into a contract or taking corporate action other than in the normal course of business.

Shareholder approval of corporate action may be a factor in the decision as to whether the tactics are appropriate.

Notwithstanding the above, defensive tactics may be taken by a board of directors of a target company in a genuine attempt to obtain a better bid; however, tactics that are likely to deny or limit severely the ability of the shareholders to respond to a takeover bid or a competing bid may result in action by the CSA.

1.16 Right to inspect register of shareholders

Avocet

The register of shareholders of an Australian company is usually kept at the registered office or principal place of business in Australia and must be available for inspection to shareholders free of charge at all times when the registered office is open to the public. If a person asks Avocet for a copy of the register (or any part of the register) and pays the requested fee (up to a prescribed amount), Avocet must give that person the copy within seven days of the date on which Avocet receives such payment, provided that the person states the purpose for which the person is accessing the copy of the register and such purpose is not a prescribed purpose.

Under the Avocet Constitution, the directors, or the company by a resolution passed at a general meeting, may authorise a shareholder to inspect the books of Avocet. An Avocet Shareholder, other than an Avocet director, does not have the right to inspect any document of Avocet, other than the minute books for the meetings of its shareholders and for resolutions of shareholders passed without meetings, except as provided by law or authorised by the directors or by Avocet in general meeting.

Under the Corporations Act, a shareholder must obtain a court order to obtain access to the corporate books. The applicant must be acting in good faith and be making the inspection for a proper purpose.

Lion One

Under the BCBCA, because Lion One is a public company, any person may, without charge, inspect all of the records that it is required to keep under the BCBCA, other than the minutes of the meetings of directors, consent resolutions of directors or written dissents received, at Lion One's registered office or such other place where such records are kept during statutory business hours.

A person may apply to Lion One, or to the person who has custody or control of its central securities register, for a list of shareholders of Lion One setting out the last known addresses of the shareholders and the number of shares held by each of those shareholders. The application

must include an affidavit of the person seeking the list and payment of a reasonable fee charged by Lion One. Promptly after receipt of the application for the list, Lion One or the person who has custody or control of its central securities register must provide to the applicant the requested list made up to and including a date, specified in the list that is not more than 14 days before the date on which the application was received.

1.17 Winding-up

Avocet

Under Australian law, an insolvent company may be wound up by a liquidator appointed by either creditors or the court. Directors cannot use their powers after a liquidator has been appointed. If there are funds left over after payment of the costs of the liquidation, and payments to other priority creditors, including employees, the liquidator will pay these to unsecured creditors as a dividend. The shareholders rank behind the creditors and are, therefore, unlikely to receive any dividend in an insolvent liquidation.

Under Australian law, shareholders of a solvent company may decide to wind up the company if the directors are able to form the view that the company will be able to pay its debts in full within 12 months after the commencement of the winding up. A meeting at which a decision is made to wind up a solvent company requires at least 75% of votes cast by the shareholders present and voting.

The Avocet Constitution provides that on winding up, the liquidator may, with sanction of a special resolution, divide among Avocet Shareholders in kind the whole or any part of Avocet's property and may for that purpose set the value as the liquidator considers fair upon any property to be so divided and may determine how the division is to be carried out as between the shareholders or different classes of shareholders.

Lion One

The BCBCA provides that, subject to the notices and rights of remedy set out below, the Registrar may dissolve Lion One if it:

- has in two consecutive years failed to file with the Registrar its annual report or any other record as required by the BCBCA;
- fails to comply with an order of the Registrar, including an order to change its name or assumed name;
- fails, without reasonable excuse, to return an erroneous record to the Registrar within 21 days after a request;
- tenders a cheque for fees which is dishonoured, or otherwise fails to pay a fee required;

Under the BCBCA, Lion One may apply to be voluntarily dissolved if (a) it is authorized to do so by an ordinary resolution, (b) it has no assets, and (c) it (i) has no liabilities, or (ii) has made adequate provision for the payment of each of its liabilities.

Liquidation is the process by which a company with assets and liabilities is “wound up”, as its debts and liabilities are satisfied (or adequate provision made for their satisfaction), and any remaining assets distributed to the shareholders.

The liquidation process can be voluntary or under a court order. A voluntary liquidation is initiated by the shareholders of the company; a court may order liquidation on application of any one of a number of “appropriate” persons.

For the most part, the process of liquidation is the same regardless of whether the liquidation is voluntary or court ordered. The same powers and responsibilities are attached to the role of the liquidator, for instance.

Proceedings taken under the BCBCA to dissolve, or liquidate and dissolve, a company must be stayed if the company is at any time found, in a proceeding under the *Bankruptcy and Insolvency Act*, to be insolvent under that Act.

Lion One may voluntarily liquidate under the BCBCA if it has been authorized to do so by a special resolution. At the time that the special resolution is passed, Lion One, by an ordinary resolution, (a) must appoint as liquidator one or more persons qualified in accordance with the BCBCA, and (b) may set, or may authorize the directors to set, each liquidator's remuneration. An appointment of a liquidator takes effect on the commencement of the liquidation.

A court ordered liquidation may be initiated by an application made by Lion One, a registered or beneficial shareholder, a director or any other person (including a creditor of Lion One) whom the court considers an appropriate person to make such an application. The court may order that Lion One be liquidated and dissolved if an event occurs which triggers liquidation according to the Articles of Lion One, or if the court otherwise considers it "just and equitable" to order the liquidation and dissolution of Lion One.

Annexure G

Notice of Court ordered Scheme Meeting of Shareholders of Avocet Resources Limited

ACN 113 446 352

Notice is given that, by an order of the Federal Court of Australia (the **Court**) made on 19 April 2013 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (the **Corporations Act**), a meeting of members of Avocet Resources Limited (**Avocet**) will be held at Level 2, 55 Carrington Street, Nedlands WA 6009 on 27 May 2013, commencing at 10am (WST).

Purpose of the meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to pass a resolution agreeing to a scheme of arrangement (the **Scheme**) (with or without modification) proposed to be made between Avocet and the holders of shares in Avocet as at the Record Date pursuant to Part 5.1 of the Corporations Act.

A copy of the Scheme and the explanatory statement required by section 412 of the Corporations Act in relation to it are contained in the booklet of which this notice forms part.

Resolution

The meeting will be asked to consider and, if thought fit, to pass the following resolution:

THAT, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed to be entered into between Avocet Resources Limited and the holders of its fully paid ordinary shares, as contained in and more particularly described in the booklet of which the notice convening this meeting forms part, is agreed to (with or without modification as approved by the Federal Court of Australia).

Chairman

The Court has appointed Philip Lucas, or failing him, Stanley Macdonald, to act as chairman of the meeting and has directed the chairman to report the result of the resolution to the Court.

Dated: 19 April 2013

By order of the Board

Avocet Resources Limited

Explanatory Notes to the Notice of Scheme Meeting

General

This notice should be read in conjunction with the entire booklet of which it forms part. The booklet contains important information to assist you in determining how to vote on the resolution.

Terms used, but not defined in this notice, have the same meaning as set out in the Glossary section of the booklet.

Required voting majority

In accordance with section 411(4)(a) of the Corporations Act, the resolution to approve the Scheme must be passed at the meeting by:

- unless the Court orders otherwise, a majority in number of Avocet Shareholders present and voting (either in person or by proxy, attorney, or, in the case of bodies corporate, body corporate representative) at the meeting; and
- at least 75% of the votes cast on the resolution.

The Court has a discretion under section 411(4)(a)(ii)(A) of the Corporations Act to approve the Scheme if it is approved by at least 75% of the votes cast on the resolution, but not by a majority in number of Avocet Shareholders present and voting at the meeting.

Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) is subject to the approval of the Court. If the resolution put to the meeting is passed by the Requisite Majority and the other conditions precedent to the Scheme (other than approval by the Court) are satisfied or waived by the time required under the Scheme, Avocet intends to apply to the Court for the necessary orders to give effect to the Scheme.

Entitlement to vote

Under section 411 of the Corporations Act and all other enabling powers, the Court has determined that the time for determining eligibility to vote at the meeting is 5.00pm (WST) on, 25 May 2013. Only those Avocet Shareholders entered on the Share Register at that time will be entitled to attend and vote at the meeting. The remaining comments in these explanatory notes are addressed to Avocet Shareholders entitled to attend and vote at the meeting.

How to vote

Voting will be on a poll. You may vote at the meeting by:

- attending and voting in person;
- appointing one or two proxies to attend and vote on your behalf, using the proxy form that accompanied this booklet;
- appointing an attorney to attend and vote on your behalf, using a power of attorney; or
- in the case of a body corporate, appointing a body corporate representative to attend and vote on your behalf, using a certificate of appointment of body corporate representative.

Attendance

If you or your representative(s) plan to attend the meeting, please arrive at the venue at least 30 minutes before the scheduled time for commencement, so that your shareholding can be checked against the Avocet Share Register, any power of attorney or certificate of appointment of body corporate representative verified, and you or your representative's attendance noted.

Jointly held securities

If you hold Avocet Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote, only the vote of the holder whose name appears first on the Share Register will be counted.

Voting in person

To vote in person, you must attend the meeting.

Eligible Avocet Shareholders who wish to attend and vote at the meeting in person will be admitted and given a voting card at the point of entry to the meeting on disclosure of their name and address.

Voting by proxy

You may appoint one or two proxies. Your proxy need not be another Avocet Shareholder. Each proxy will have the right to vote on a poll and also to speak at the meeting.

To appoint a proxy, you should complete and return the proxy form that accompanied this booklet in accordance with the instructions on that form. The deadline for receipt of proxy forms by the Share Registry is 10am (WST) on 25 May 2013.

If you wish to appoint a second proxy, a second proxy form should be used and you should clearly indicate on the second proxy form that it is a second proxy and not a revocation of your first proxy. You can obtain a second proxy form from the Share Registry. Replacement proxy forms can also be obtained from the Share Registry.

If you appoint two proxies, each proxy should be appointed to represent a specified proportion of your voting rights. If you do not specify the proportions in the proxy forms, each proxy may exercise half of your votes with any fractions of votes disregarded.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against' or abstain from voting on the resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on an item of business, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your proxy form:

- without identifying a proxy on it, the chairman of the meeting may either act as proxy or complete the proxy appointment by inserting the name or names of one or more Directors or the Avocet Company Secretary; or
- with a proxy identified on it but your proxy does not attend the meeting, the chairman of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

In the absence of a Superior Proposal for Avocet, the chairman of the meeting, all other Avocet Directors and the Avocet Company Secretary intend to vote all valid undirected proxies which nominate them in favour of the resolution (subject to applicable law).

Proxies of eligible Avocet Shareholders will be admitted to the meeting and given a voting card at the point of entry to the meeting on providing written evidence of their name and address.

Your appointment of a proxy does not preclude you from attending in person, revoking the proxy and voting at the meeting.

Voting by attorney

You may appoint an attorney to attend and vote at the meeting on your behalf. Your attorney need not be another Avocet Shareholder. Each attorney will have the right to vote on the poll and also to speak at the meeting.

The power of attorney appointing your attorney to attend and vote at the meeting must be duly executed by you and specify your name, the company (that is, Avocet) and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be lodged with Avocet at the address or fax number provided in **section** Error! Reference source not found. of the Scheme Booklet before the meeting.

Attorneys of eligible Avocet Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting written evidence of their appointment, their name and address, and the name of their appointor(s).

Your appointment of an attorney does not preclude you from attending in person and voting at the meeting.

Voting by body corporate representative

If you are a body corporate, you may appoint an individual to act as your body corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act, meaning that Avocet will require a certificate of appointment of body corporate representative to be executed by you in accordance with the Corporations Act. A form of certificate may be obtained from Avocet from its registered office at Level 2, 55 Carrington Street, Nedlands WA 6009 or by telephone on +61 8 9481 2243. The certificate should be lodged with the Share Registry before the meeting or at the registration desk on the day of the meeting. The certificate will be retained by Avocet.

If a certificate is completed by an individual or a corporation under power of attorney, the power of attorney, or a certified copy, must accompany the completed certificate unless the power of attorney has previously been noted by Avocet. Body corporate representatives of eligible Avocet Shareholders will be admitted to the meeting and given a voting card at the point of entry to the meeting on providing written evidence of their appointment, their name and address, and the name of their appointor(s). The chairman of the meeting may permit a person claiming to be a representative to exercise the body's powers' even if they have not produced a certificate or other satisfactory evidence of their appointment.

Corporate Directory

Company Information

Directors

Philip Lucas, Chairman
Stephen Mann, Managing Director
Stanley Macdonald, Non-executive Director

Company Secretary

David McArthur

Registered Office

Level 2, 55 Carrington Street
Nedlands WA 6009

PO Box 985
Nedlands WA 6909

Tel: (08) 9481 2243
Fax: (08) 9321 0070

ASX Code

ASX: AYE

Share Registry

Security Transfer Registrars Pty Ltd*
770 Canning Highway
Applecross, WA 6153

Legal Advisers

Allion Legal
Level 2, 50 Kings Park Road
West Perth WA 6005

Independent Expert

RSM Bird Cameron
8 St Georges Terrace
Perth WA 6000

Independent Technical Specialist

Salva Resources
Level 11, 82 Eagle Street
Brisbane, QLD 4000

Investigating Accountant

KPMG Transaction Services
A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
235 St Georges Terrace
Perth WA 6000

Auditor

KPMG
235 St Georges Terrace
Perth WA 6000