



LION ONE METALS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED JUNE 30, 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Lion One Metals Limited

We have audited the accompanying consolidated financial statements of Lion One Metals Limited, which comprise the consolidated statements of financial position as at June 30, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Lion One Metals Limited as at June 30, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

August 30, 2018



LION ONE METALS LIMITED**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

AS AT JUNE 30

	2018	2017
ASSETS		
Current		
Cash	\$ 19,574,527	\$ 28,285,323
Receivables	169,336	229,251
Prepaid expenses	80,068	15,748
	<u>19,823,931</u>	<u>28,530,322</u>
Restricted cash (Note 4)	29,199	29,904
Exploration advances and deposits (Note 5)	1,918,289	1,940,843
Exploration and evaluation assets (Note 5)	50,649,007	44,959,283
Property and equipment (Note 6)	<u>1,576,200</u>	<u>767,607</u>
	<u>\$ 73,996,626</u>	<u>\$ 76,227,959</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7, 9)	\$ 374,442	\$ 770,213
Long-term provisions (Note 7)	<u>39,601</u>	<u>37,128</u>
	<u>414,043</u>	<u>807,341</u>
Shareholders' equity		
Share capital (Note 8)	96,726,311	96,224,196
Reserves (Note 8)	21,203,219	20,591,326
Accumulated other comprehensive income	3,449,141	4,151,667
Deficit	<u>(47,796,088)</u>	<u>(45,546,571)</u>
	<u>73,582,583</u>	<u>75,420,618</u>
	<u>\$ 73,996,626</u>	<u>\$ 76,227,959</u>

Nature of operations and going concern (Note 1)

Approved and authorized by the Board on August 30, 2018:

"Walter H. Berukoff" Director
 "Stephen Mann" Director

The accompanying notes are an integral part of these consolidated financial statements

LION ONE METALS LIMITED**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED JUNE 30

	2018	2017
EXPENSES		
Consulting fees	\$ 55,250	\$ 72,750
Depreciation	-	598
Directors' fees (Note 9)	23,000	17,750
Foreign exchange (gain) loss	(61,776)	110,088
Licenses, dues and insurance	45,671	37,330
Investor relations	454,782	175,376
Management fees	272,642	215,869
Office and administrative	368,398	391,170
Professional fees (Note 9)	493,858	185,476
Rent (Note 9)	229,671	188,379
Shareholder communications and filings	180,370	163,539
Share-based payments (Note 8)	477,283	1,036,191
Travel	91,107	92,295
Operating loss	(2,630,256)	(2,686,811)
OTHER INCOME (EXPENSES)		
Interest income	380,739	279,567
Loss for the year	(2,249,517)	(2,407,244)
OTHER COMPREHENSIVE (LOSS) INCOME		
Foreign exchange translation adjustment	(702,526)	120,075
Comprehensive loss for the year	\$ (2,952,043)	\$ (2,287,169)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding	101,883,962	92,843,545

The accompanying notes are an integral part of these consolidated financial statements.

LION ONE METALS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)
FOR THE YEAR ENDED JUNE 30

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (2,249,517)	\$ (2,407,244)
Non-cash items:		
Depreciation	-	598
Foreign exchange (gain) loss	(61,776)	110,088
Share-based payments	477,283	1,036,191
Changes in non-cash working capital items:		
Receivables	55,967	(203,141)
Prepaid expenses	(64,396)	(5,136)
Accounts payable and accrued liabilities	5,767	(874,266)
	<u>(1,836,672)</u>	<u>(2,342,910)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(954,309)	(304,473)
Exploration and evaluation asset expenditures	(6,173,908)	(5,108,249)
Exploration advances and deposits	(10,746)	2,004
	<u>(7,138,963)</u>	<u>(5,410,718)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from sale of shares – private placement	-	38,213,521
Share issue costs on private placement	-	(2,017,604)
Cash proceeds on exercise of stock options	280,000	7,000
	<u>280,000</u>	<u>36,202,917</u>
Effect of exchange rate changes on cash	(15,161)	(226,120)
Change in cash during the year	(8,710,796)	28,223,169
Cash, beginning of year	<u>28,285,323</u>	<u>62,154</u>
Cash, end of year	\$ 19,574,527	\$ 28,285,323
Supplementary cash flow information:		
Non-cash transactions:		
Depreciation expense capitalized to exploration and evaluation assets	\$ 135,441	\$ 96,827
Share-based payments expense capitalized to exploration and evaluation assets	356,725	468,724
Stock options exercised – fair value	222,115	4,554
Accounts payable and accrued liabilities in exploration and evaluation assets	145,654	543,809

The accompanying notes are an integral part of these consolidated financial statements.

LION ONE METALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	<u>Share Capital</u>				Accumulated Other Comprehensive Income	Total
	Number	Amount	Reserves	Deficit		
Balance, June 30, 2016	60,175,608	\$ 60,016,725	\$ 19,090,965	\$ (43,139,327)	\$ 4,031,592	\$ 39,999,955
Share-based payments	-	-	1,504,915	-	-	1,504,915
Exercise of stock options	10,000	11,554	(4,554)	-	-	7,000
Private placement	41,536,436	38,213,521	-	-	-	38,213,521
Share issuance costs	-	(2,017,604)	-	-	-	(2,017,604)
Comprehensive loss for the year	-	-	-	(2,407,244)	120,075	(2,287,169)
Balance, June 30, 2017	101,722,044	96,224,196	20,591,326	(45,546,571)	4,151,667	75,420,618
Share-based payments	-	-	834,008	-	-	834,008
Exercise of stock options	800,000	502,115	(222,115)	-	-	280,000
Comprehensive loss for the year	-	-	-	(2,249,517)	(702,526)	(2,952,043)
Balance, June 30, 2018	102,522,044	\$ 96,726,311	\$ 21,203,219	\$ (47,796,088)	\$ 3,449,141	\$ 73,582,583

The accompanying notes are an integral part of these consolidated financial statements.

LION ONE METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

June 30, 2018

1. NATURE OF OPERATIONS AND GOING CONCERN

Lion One Metals Limited ("Lion One" or the "Company") was incorporated on November 12, 1996 under the laws of the Province of British Columbia, Canada.

The Company is in the business of mineral exploration and evaluation and is currently focused on the acquisition, exploration and evaluation of mineral resources in Fiji and Australia.

The Company's head office and principal address is 311 West 1st Street, North Vancouver, BC, Canada, V7M 1B5. The address of the Company's registered and records office is Suite 1700 – 1055 West Hastings Street, Vancouver, BC, V6E 2E9.

The Company's consolidated financial statements are presented in Canadian dollars.

The Company is in the process of exploring and evaluating its resource properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to advance its projects to completion. As at June 30, 2018, the Company had not advanced its properties to commercial production. The Company's continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. During the year ended June 30, 2017, the Company completed a financing which is anticipated to provide funds to maintain the next twelve months of operations.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, obtain necessary financings, and/or generate profitable operations in the future.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Consolidation and Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These consolidated financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

LION ONE METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

June 30, 2018

2. BASIS OF PREPARATION (cont'd...)

Use of Estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Judgments

The functional currency of each of the subsidiaries and the Company were assessed to determine the economic substance of the currency in which each entity performed its operations. The functional currency of the Company is the Canadian dollar. The functional currencies of the Company's subsidiaries have been assessed as follows:

	Country of Incorporation	Effective Interest	Functional currency
American Eagle Resources Inc.	Canada	100%	Canadian Dollar
Laimes International Inc.	BVI	100%	Canadian Dollar
Auksas Inc.	BVI	100%	Canadian Dollar
Lion One Limited	Fiji	100%	Fijian Dollar
Lion One Australia Pty Ltd.	Australia	100%	Australian Dollar
Piche Resources Pty Ltd.	Australia	100%	Australian Dollar

Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, are as follows:

The carrying value and recoverability of exploration and evaluation assets and property and equipment requires management to make certain estimates, judgments and assumptions about its project. Management considers the economics of the project, including the latest resource prices and the long-term forecasts, and the overall economic viability of the project.

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the Company's provision for income taxes.

Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Where such valuations are applied, such as the time of a stock option grant or issuance of shares from trust, management provides detailed valuation assumptions.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign exchange

Transactions in currencies other than an entity's functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

On translation of the entities whose functional currency is other than the Canadian dollar, revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Assets and liabilities are translated at the rate of exchange at the reporting date. Exchange gains and losses, including results of re-translation, are recorded in other comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

The Company has classified its cash and restricted cash as fair value through profit or loss and receivables and deposits as loans and receivables.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method.

The Company classified its accounts payable and accrued liabilities and long-term provisions as other financial liabilities.

LION ONE METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

June 30, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Financial instrument disclosures

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Property and equipment

Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized when the asset is available for its intended use, using the straight-line method at the following annual rates:

Computers and office equipment	12% - 100%
Motor vehicles	18%
Buildings and equipment	4% - 20%

Depreciation of property and equipment related to exploration and evaluation activities is capitalized in exploration and evaluation costs. Depreciation related to general administration is expensed in office costs.

Mineral properties – exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

Costs directly related to the acquisition of and expenditures for exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are first tested for impairment and then transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

The carrying values of capitalized amounts are reviewed annually or when indicators of impairment are present. In the case of undeveloped properties these may be only inferred resources to allow management to form a basis for the impairment review. The review is based on the intentions for the development of such a property. If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company does not have any significant rehabilitation obligations.

Share-based payments

The Company accounts for stock options granted to directors, officers, employees and non-employees at fair value. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and share-based compensation is accrued and charged to profit or loss or exploration and evaluation assets, with an offsetting credit to share-based payment reserve, over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to profit or loss or exploration and evaluation assets upon re-measurement. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

If and when the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

LION ONE METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

June 30, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered the deferred tax asset is not recognized.

New standards not yet adopted

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments ("IFRS 9") which will replace IAS 39, Financial Instruments ("IAS 39"). This standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 provides a revised model for recognition and measurement of financial instruments with two classification categories: amortized cost and fair value. As well, under the new standard a single impairment method is required, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes a substantially reformed approach to hedge accounting that aligns accounting more closely with risk management. The Company has assessed IFRS 9's impact and concluded that its adoption will have no material impact on its financial statements other than increased disclosure.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and liability calculated using a prescribed methodology. The Company is assessing IFRS 16's impact on its financial statements and has not yet determined the impact.

4. RESTRICTED CASH

The restricted cash balance is comprised of a guaranteed investment certificate and security deposit held as collateral for the Company's corporate credit cards.

LION ONE METALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

June 30, 2018
5. EXPLORATION AND EVALUATION ASSETS

June 30, 2018	Fiji	Australia	Total
Acquisition costs			
Balance, June 30, 2017 and 2018	\$ 21,915,063	\$ 511,890	\$ 22,426,953
Exploration expenditures			
Balance, June 30, 2017	22,241,775	44,554	22,286,329
Additions for the year	6,274,994	3,887	6,278,881
Balance, June 30, 2018	28,516,769	48,441	28,565,210
Cumulative translation adjustment			
Balance, June 30, 2017	265,053	(19,052)	246,001
Adjustments for the year	(576,445)	(12,712)	(589,157)
Balance, June 30, 2018	(311,392)	(31,764)	(343,156)
Property total, June 30, 2018	\$ 50,120,440	\$ 528,567	\$ 50,649,007

June 30, 2017	Fiji	Australia	Total
Acquisition costs			
Balance, June 30, 2016 and 2017	\$ 21,915,063	\$ 511,890	\$ 22,426,953
Exploration expenditures			
Balance, June 30, 2016	16,129,892	41,247	16,171,139
Additions for the year	6,111,883	3,307	6,115,190
Balance, June 30, 2017	22,241,775	44,554	22,286,329
Cumulative translation adjustment			
Balance, June 30, 2016	60,973	(36,882)	24,091
Adjustments for the year	204,080	17,830	221,910
Balance, June 30, 2017	265,053	(19,052)	246,001
Property total, June 30, 2017	\$ 44,421,891	\$ 537,392	\$ 44,959,283

Tuvatu Gold Project

The Company's primary asset is the Tuvatu Gold Project located near Nadi on the island of Viti Levu, Fiji.

In January 2015, the Mineral Resources Department ("MRD") of Fiji granted Special Mining Lease 62 ("SML 62") on the Tuvatu project to the Company. SML 62 is a designated area within the original boundaries of the Company's Special Prospecting Licenses ("SPL's") 1283 and 1296. SML 62 provides exclusive rights for the potential development, construction, and operation of mining, processing, and waste management infrastructure at Tuvatu. The terms of the mining lease provide for certain performance and reporting requirements. The SML has been granted for a term of ten years provided the Company complies with the terms of the lease. Extensions to the term can be applied subject to the terms of the lease and the Mining Act. A performance and environmental bond of FJD\$2,700,000 (2018 - \$1,677,167, 2017 - \$1,706,508) has been placed on deposit with the MRD. The SML is subject to annual lease payments of FJD\$73,697.

In addition to a 5% net smelter royalty ("NSR") with the government of Fiji, the Fiji properties are subject to a perpetual production royalty of 0.5% to 1.5% of net smelter returns. This NSR is payable to a company controlled by a common director.

LION ONE METALS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

June 30, 2018**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)****Tuvatu Gold Project (cont'd...)***Surface Lease Agreement*

The Company holds a 21-year Surface Lease agreement with the iTaueki Land Trust Board ("TLTB") which governs the native land ownership rights in Fiji. The TLTB manages the lease agreements between native land owners and tenants.

Under the terms of the Surface Lease, the Company must make a one-time payment of FJD\$1,000,000 of which FJD\$700,000 (\$419,790) was paid upon acceptance of the Surface Lease agreement. The balance of FJD\$300,000 (\$186,352) is due upon the first gold production from mining operations in Tuvatu. An additional lease payment of FJD\$30,000 (\$18,635) is payable per annum to the local communities for education and community development over the 21-year term of the Surface Lease agreement.

Fiji Exploration Properties

The Company holds three (3) exploration licenses (SPL's) for the Tuvatu properties as granted by the MRD.

Under the terms of the SPL's, the Company is required to spend a minimum threshold of expenditures on each of the licenses.

Special Prospecting License	Issued	Expiry Date	Bond (Fijian \$)	Bond (Canadian \$)	Expenditure Requirement (Fijian \$)	Expenditure Requirement (Canadian \$)
1283 / 1296	Feb 12, 2017	Feb 12, 2020	\$ 316,360	\$ 196,514	\$ 2,730,000	\$ 1,695,802
1465	Aug. 3, 2017	Aug. 2, 2020	50,000	31,059	3,050,000	1,894,578

Bonds

The SPL's require the posting of bonds as security against future reclamation obligations. As at June 30, 2018, the Company has bonds of \$1,904,740 (2017 - \$1,938,062) held with the MRD included in exploration advances and deposits on the statement of financial position.

Olary Creek, South Australia

The Company has a 51% interest in the Olary Creek tenement located near Broken Hill, South Australia. The project is focused on iron ore. In February 2018, Lion One Australia ("LOA") and Yukuang Australia (WA) Resources Pty Ltd. ("Yukuang") Exploration Licence (EL 5928) was extended for a period of two years ending on February 7, 2020. The original exploration joint venture on the Olary Creek Project was formed in 2010 between LOA and HJH Nominees ("HJH"). In 2011, HJH signed a farm-in agreement with Yukuang, the Australian subsidiary of Henan Yukuang, a state-owned mineral exploration and mining company based in Peoples Republic of China, whereby Yukuang could earn a combined 75% interest in the iron and manganese rights. In April 2012, the HJH/Yukuang partnership completed the expenditure requirement with LOA retaining a 25% free carried interest. In July 2013, LOA exercised its preemptive right over the 22% interest held by HJH and negotiated a new Farm-in, Joint Venture, and Split Commodity Agreements with Yukuang covering the iron and manganese rights in the tenement. LOA now retains a 47% interest in the iron ore and manganese rights on the Olary Creek Joint Venture, which includes a 25% interest free carried through the completion of a bankable feasibility study and the decision to mine, and an optional 22% participating interest. The Company holds an option to convert its 25% free carried interest, within 90 days of the decision to mine, to a 2% free on board ("FOB") royalty, or to a 1% FOB royalty with a \$0.50 per tonne production royalty.

LION ONE METALS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

June 30, 2018**6. PROPERTY AND EQUIPMENT**

	Computers and Office Equipment	Motor Vehicles	Building and Equipment	Total
Cost				
Balance, June 30, 2016	\$ 219,582	\$ 186,132	\$ 798,470	\$ 1,204,184
Additions for the year	-	-	304,473	304,473
Cumulative translation adjustment	<u>1,442</u>	<u>1,586</u>	<u>5,870</u>	<u>8,898</u>
Balance, June 30, 2017	221,024	187,718	1,108,813	1,517,555
Additions for the year	57,600	35,329	861,380	954,309
Cumulative translation adjustment	<u>(2,522)</u>	<u>(3,157)</u>	<u>(14,941)</u>	<u>(20,620)</u>
Balance, June 30, 2018	\$ 276,102	\$ 219,890	\$ 1,955,252	\$ 2,451,244
Accumulated depreciation				
Balance, June 30, 2016	\$ 196,286	\$ 154,241	\$ 297,889	\$ 648,416
Additions for the year	11,956	24,202	61,267	97,425
Cumulative translation adjustment	<u>1,231</u>	<u>1,125</u>	<u>1,751</u>	<u>4,107</u>
Balance, June 30, 2017	209,473	179,568	360,907	749,948
Additions for the year	29,101	11,783	94,557	135,441
Cumulative translation adjustment	<u>(2,290)</u>	<u>(3,028)</u>	<u>(5,027)</u>	<u>(10,345)</u>
Balance, June 30, 2018	\$ 236,284	\$ 188,323	\$ 450,437	\$ 875,044
Net book value				
As at June 30, 2017	\$ 11,551	\$ 8,150	\$ 747,906	\$ 767,607
As at June 30, 2018	\$ 39,818	\$ 31,567	\$ 1,504,815	\$ 1,576,200

7. PROVISIONS AND PAYABLES

Accounts payable and accrued liabilities	2018	2017
Trade payables	\$ 91,213	\$ 101,291
Exploration expenditures payable	145,654	543,809
Employee benefits	<u>137,575</u>	<u>125,113</u>
Balance, end of year	\$ 374,442	\$ 770,213

Long-term provisions represent accrued long-term service benefits for employees in Australia in accordance with Australian labour standards.

LION ONE METALS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

June 30, 2018**8. SHARE CAPITAL AND RESERVES**

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

During the year ended June 30, 2017, the Company completed a non-brokered private placement of 41,536,436 units ("Unit") at a price of \$0.92 per Unit for gross proceeds of \$38,213,521. Each Unit consists of one common share and one common share purchase warrant ("Warrant"). Each Warrant was exercisable at a price of \$1.35 per share until March 16, 2018 (Note 8(e)). The Company paid finders' fees of \$1,898,402, filing fees of \$54,250 and legal costs of \$64,952 in respect of the placement.

c) Trust agreement

Pursuant to a Trust Agreement dated April 1, 2010, the Company has issued and allotted 1,000,000 common shares from treasury to a designated trustee. The Trust Agreement stipulates the release of the shares to the beneficiaries upon vesting dates. As at June 30, 2018, 100,000 (2017 – 100,000) shares remained in trust.

d) Stock options

The TSX Venture Exchange accepted for filing the Company's Stock Option Plan which was approved by the Company's shareholders at the Annual General Meeting held December 18, 2017. A rolling stock option plan has been implemented whereby a maximum of 10% of the issued shares will be reserved for issuance under the plan. Options can be granted for a term not to exceed ten years. Shareholder approval must also be obtained yearly at the Company's Annual General Meeting and in addition, submitted for review and acceptance by the Exchange each year.

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance, June 30, 2016	6,000,000	\$ 0.53
Granted	2,200,000	1.11
Exercised	(10,000)	0.70
Forfeited and expired	<u>(915,000)</u>	1.08
Balance, June 30, 2017	7,275,000	0.86
Exercised	(800,000)	0.35
Granted	1,000,000	1.00
Forfeited and expired	<u>(775,000)</u>	0.78
Balance, June 30, 2018	6,700,000	\$ 0.95
Balance, June 30, 2018 exercisable	4,291,664	\$ 0.92

LION ONE METALS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

June 30, 2018**8. SHARE CAPITAL AND RESERVES (cont'd...)**

d) Stock options (cont'd...)

Stock options outstanding as at June 30, 2018:

	Number	Exercise price	Expiry date
Stock Options	1,000,000	\$ 1.25	September 29, 2018
	925,000	0.35	June 27, 2019
	2,575,000	1.00	June 30, 2021
	1,200,000	1.00	April 11, 2022
	<u>1,000,000</u>	1.00	January 26, 2023
	6,700,000		

During the year ended June 30, 2018, the Company granted 1,000,000 (2017 - 2,200,000) stock options to an officer, directors and an employee. The weighted average fair value of options granted during the year was \$0.62 per option (2017 - \$0.51). Total share-based payments recognized for the year ended June 30, 2018 was \$834,008 (2017 - \$1,504,915) for incentive options granted and vested. Share-based payments expense of \$477,283 (2017 - \$1,036,191) was recognized in the statement of loss and comprehensive loss with the balance an expense of \$356,725 (2017 - \$468,724) capitalized to exploration and evaluation assets, which relates to employees working on the Tuvatu property.

The following weighted average assumptions were used for the valuation of stock options:

	2018	2017
Risk-free interest rate	0.40%	0.79%
Expected life of options	5 years	3.6 years
Annualized volatility	95%	100%
Dividend rate	-	-

e) Warrants

Warrant are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2017	41,536,436	\$ 1.35
Issued	-	-
Expired	<u>(41,536,436)</u>	1.35
Balance outstanding and exercisable, June 30, 2018	-	\$ -

LION ONE METALS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

June 30, 2018**9. RELATED PARTY TRANSACTIONS****Management Compensation**

Key management personnel comprise of the Chief Executive Officer, Managing Director, Chief Financial Officer, Chief Development Officer, Vice President Administration, and Vice President and Corporate Secretary of the Company. The remuneration of the key management personnel is as follows for the years ended June 30:

	2018	2017
Payments to key management personnel:		
Cash compensation	\$ 951,621	\$ 630,048
Share-based payments	619,361	1,151,174

During the year ended June 30, 2018, the Company paid \$229,671 (2017 - \$180,000) in rent to Cabrera Capital Corp. ("Cabrera"), a company controlled by a director of the Company. As at June 30, 2018, the Company had a payable of \$18,612 (2017 - \$35,316) due to Cabrera.

During the year ended June 30, 2018, the Company paid professional services fees of \$35,433 (2017 - \$39,028) to a management services company owned by a director of the Company's subsidiary.

During the year ended June 30, 2018, the Company paid directors' fees of \$23,000 (2017 - \$17,750) to non-executive board members.

As at June 30, 2018, the Company has a payable of \$9,597 (2017 - \$6,100) due to Red Lion Management Ltd., a company controlled by a director of the Company, for expenses incurred on behalf of the Company. Accounts payable due to related parties are unsecured, non-interest bearing, and are due on demand.

The Company has a management and corporate services agreement with Cabrera pursuant to which Cabrera provides a fully furnished and equipped business premises as well as management and administration services to the Company. With the exception of rent expense, Cabrera charges the Company on a cost-recovery basis. The Company can terminate the agreement at any time by paying Cabrera a year's worth of fees based on the average monthly fee paid to Cabrera since April 1, 2018.

10. SEGMENTED INFORMATION

The Company operates in one industry segment, the mineral exploration industry.

June 30, 2018	Fiji	Australia	Total
Exploration and evaluation assets	\$ 50,120,440	\$ 528,567	\$ 50,649,007
Property and equipment	<u>1,576,200</u>	<u>-</u>	<u>1,576,200</u>
	\$ 51,696,640	\$ 528,567	\$ 52,225,207
June 30, 2017	Fiji	Australia	Total
Exploration and evaluation assets	\$ 44,421,891	\$ 537,392	\$ 44,959,283
Property and equipment	<u>767,607</u>	<u>-</u>	<u>767,607</u>
	\$ 45,189,498	\$ 537,392	\$ 45,726,890

LION ONE METALS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

June 30, 2018**11. INCOME TAXES**

A reconciliation between expense (recovery) and the product of accounting loss multiplied by the Company's domestic tax rate for the years ended June 30, 2018 and 2017 is as follows:

	2018	2017
Net loss before income tax	\$ 2,249,517	\$ 2,407,244
Income tax rate	26.50%	26.00%
Expected tax recovery at statutory income tax rate	(596,000)	(626,000)
Increase (decrease) due to:		
Permanent differences	136,000	273,000
Effect of tax rate changes	71,000	(7,000)
True up and other adjustments	84,000	(10,000)
Tax effect of tax losses and temporary differences not recognized	305,000	370,000
	\$ -	\$ -

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

No deferred tax assets have been recognized on the consolidated statements of financial position as the Company has concluded that it is not probable that the benefits of deferred income tax assets will be realized prior to their expiry. As such, the Company has the following unrecognized deductible temporary differences:

	2018	2017
Non-capital losses	\$ 24,366,000	\$ 22,626,000
Share issue costs	1,211,000	1,614,000
Exploration and evaluation assets (no expiry date)	3,791,000	3,806,000
Property and equipment (no expiry date)	126,000	154,000

As at June 30, 2018, the Company has non-capital losses, for Canadian income tax purposes, of approximately \$15,718,000 to reduce future taxable income in Canada. These losses, if unused, will expire between 2027 and 2037.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Financial instruments**

Cash and restricted cash are carried in the statement of financial position at fair value using a level 1 fair value measurement. Receivables, deposits, accounts payable and accrued liabilities are carried at amortized cost. The Company considers that the carrying amount of these financial assets and liabilities measured at amortized cost to approximate their fair value due to the short term nature of the financial instruments. Long-term provisions, representing long-term service benefits, are carried at amortized cost and reflect the fair value of the instrument as the carrying value reflects the payout of the instrument as at the reporting date.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors*Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

LION ONE METALS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

June 30, 2018**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)****Financial risk factors (cont'd...)**

Receivables mainly consist of Goods and Services Tax ("GST") receivable from the Government of Canada, GST receivable from the Government of Australia and value added tax receivable from the Government of Fiji. The Company believes that the credit risk concentration with respect to receivables is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company will raise funds for future use from equity financings and other methods as contemplated by management to satisfy its capital requirements and will continue to depend heavily upon these financing activities. All of the Company's current financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. As at June 30, 2018, the Company had working capital of \$19,449,489.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes the interest rate risk is low given the current low global interest rate environment.

b) Foreign currency risk

The Company's property exploration work occurs in Fiji and Australia and is conducted in Canadian dollars, Australian dollars and Fijian dollars. As such, the Company is exposed to foreign currency risk in fluctuations among these currencies. Fluctuations in the exchange rate among the Canadian dollar, Australian dollar and Fijian dollar may have a material adverse effect on the Company's business and financial condition.

As at June 30, 2018, the Company's net foreign denominated financial assets (liabilities) are as follows:

	Foreign currency	Canadian dollar equivalent
Australian Dollar	\$ (104,237)	\$ (101,453)
Fijian Dollar	3,663,890	2,275,910

The sensitivity of the Company's comprehensive loss due to changes in the carrying values of monetary assets and liabilities denominated in foreign currencies is as follows.

Increase / decrease in foreign exchange rate	2018	2017
+ 5%	\$ 108,723	\$ 103,588
- 5%	(108,723)	(103,588)

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The Company closely monitors commodity prices to determine the appropriate strategic action to be taken by the Company.

LION ONE METALS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

June 30, 2018

13. CAPITAL MANAGEMENT

The Company's capital management policy has the objective of maintaining a strong, but flexible capital structure that optimizes the cost of capital, creditor and market confidence while sustaining the future development of the business.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. The Company's capital structure includes shareholders' equity of \$73,582,583 (June 30, 2017 - \$75,420,618). In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage current and working capital requirements. The Company is not subject to externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the year ended June 30, 2018.