



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

FOR THE YEAR ENDED JUNE 30, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Lion One Metals Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Lion One Metals Ltd. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.



In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Harris.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

August 30, 2019

LION ONE METALS LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT JUNE 30, 2019

	2019	2018
ASSETS		
Current		
Cash	\$ 8,907,418	\$ 19,574,527
Receivables	549,234	169,336
Prepaid expenses	62,790	80,068
	<u>9,519,442</u>	<u>19,823,931</u>
Restricted cash (Note 4)	27,531	29,199
Deposits (Note 5, 6)	3,001,543	1,918,289
Exploration and evaluation assets (Note 5)	56,352,590	50,649,007
Property and equipment (Note 6)	<u>2,977,200</u>	<u>1,576,200</u>
	<u>\$ 71,878,306</u>	<u>\$ 73,996,626</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7, 9)	\$ 383,986	\$ 374,442
Long-term provisions (Note 7)	<u>40,496</u>	<u>39,601</u>
	<u>424,482</u>	<u>414,043</u>
Shareholders' equity		
Share capital (Note 8)	97,214,173	96,726,311
Reserves (Note 8)	21,868,222	21,203,219
Accumulated other comprehensive income	2,388,953	3,449,141
Deficit	<u>(50,017,524)</u>	<u>(47,796,088)</u>
	<u>71,453,824</u>	<u>73,582,583</u>
	<u>\$ 71,878,306</u>	<u>\$ 73,996,626</u>

Nature of operations and going concern (Note 1)

Approved and authorized by the Board on August 30, 2019:

"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

	2019	2018
EXPENSES		
Consulting fees	\$ 45,000	\$ 55,250
Directors' fees (Note 9)	23,000	23,000
Foreign exchange loss (gain)	43,631	(61,776)
Licenses, dues and insurance	60,115	45,671
Investor relations	443,789	454,782
Management fees	289,630	272,642
Office and administrative	395,930	368,398
Professional fees (Note 9)	437,087	493,858
Rent (Note 9)	180,000	229,671
Shareholder communications and filings	173,250	180,370
Share-based payments (Note 8)	402,948	477,283
Travel	45,627	91,107
	<hr/>	<hr/>
Operating loss	(2,540,007)	(2,630,256)
OTHER INCOME (EXPENSES)		
Interest income	318,571	380,739
	<hr/>	<hr/>
Loss for the year	(2,221,436)	(2,249,517)
OTHER COMPREHENSIVE (LOSS) INCOME		
Foreign exchange translation adjustment	(1,060,188)	(702,526)
	<hr/>	<hr/>
Comprehensive loss for the year	\$ (3,281,624)	\$ (2,952,043)
	<hr/>	<hr/>
Basic and diluted loss per common share	\$ (0.02)	\$ (0.02)
	<hr/>	<hr/>
Weighted average number of common shares outstanding	102,571,393	101,883,962
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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)
FOR THE YEAR ENDED JUNE 30

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (2,221,436)	\$ (2,249,517)
Non-cash items:		
Foreign exchange loss (gain)	43,631	(61,776)
Share-based payments	402,948	477,283
Changes in non-cash working capital items:		
Receivables	(391,749)	55,967
Prepaid expenses	17,098	(64,396)
Accounts payable and accrued liabilities	30,825	5,767
	<u>(2,118,683)</u>	<u>(1,836,672)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,626,639)	(954,309)
Exploration and evaluation asset expenditures	(5,876,603)	(6,173,908)
Deposits	(1,124,410)	(10,746)
	<u>(8,627,652)</u>	<u>(7,138,963)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds on exercise of stock options	204,022	280,000
	<u>204,022</u>	<u>280,000</u>
Effect of exchange rate changes on cash	(124,796)	(15,161)
Change in cash during the year	(10,667,109)	(8,710,796)
Cash, beginning of year	<u>19,574,527</u>	<u>28,285,323</u>
Cash, end of year	\$ 8,907,418	\$ 19,574,527
Supplementary cash flow information:		
Non-cash transactions:		
Depreciation expense capitalized to exploration and evaluation assets	\$ 192,984	\$ 135,441
Share-based payments expense capitalized to exploration and evaluation assets	545,895	356,725
Stock options exercised – fair value	128,840	222,115
Accounts payable and accrued liabilities in exploration and evaluation assets	132,972	145,654

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>		Reserves	Deficit	Accumulated Other Comprehensive Income	Total
	Number	Amount				
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
Share-based payments – stock options	-	-	793,843	-	-	793,843
Share-based payments – trust shares	-	155,000	-	-	-	155,000
Exercise of stock options	582,918	332,862	(128,840)	-	-	204,022
Comprehensive loss for the year	-	-	-	(2,221,436)	(1,060,188)	(3,281,624)
Balance, June 30, 2019	103,104,962	\$ 97,214,173	\$ 21,868,222	\$ (50,017,524)	\$ 2,388,953	\$ 71,453,824

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, 2019

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. The Company's head office and principal address is 306 - 267 West Esplanade, North Vancouver, BC, Canada, V7M 1A5. 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, 2019, the Company had not advanced its properties to commercial production. The Company has adequate financial resources for the next twelve months. 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.

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 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.

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.

LION ONE METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

June 30, 2019

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

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.

LION ONE METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

June 30, 2019

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

Financial instruments

The Company adopted all of the requirements of IFRS 9, Financial Instruments ("IFRS 9") as of July 1, 2018. IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, and as such the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The following is the Company's new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at July 1, 2018. Under IFRS 9, cash and restricted cash under are classified as FVTPL and receivables, deposits, accounts payable and long term provisions are at amortized cost. The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on July 1, 2018.

Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss.

LION ONE METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

June 30, 2019

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

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.

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.

LION ONE METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

June 30, 2019

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

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.

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 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 "ROU" asset and liability calculated using a prescribed methodology. The Company has assessed the impact of adopting IFRS 16 and has determined that as at July 1, 2019, the Company will recognize approximately \$581,000 for a ROU asset for the office space lease and \$581,000 for the present value of office space lease payments over a 45 month period ending March 31, 2023, discounted by using the Company's incremental borrowing rate.

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, 2019**5. EXPLORATION AND EVALUATION ASSETS**

June 30, 2019	Fiji	Australia	Total
Acquisition costs			
Balance, June 30, 2018 and June 30, 2019	\$ 21,915,063	\$ 511,890	\$ 22,426,953
Exploration expenditures			
Balance, June 30, 2018	28,516,769	48,441	28,565,210
Additions for the year	6,598,267	7,230	6,605,497
Balance, June 30, 2019	35,115,036	55,671	35,170,707
Cumulative translation adjustment			
Balance, June 30, 2018	(311,392)	(31,764)	(343,156)
Adjustments for the year	(871,497)	(30,417)	(901,914)
Balance, June 30, 2019	(1,182,889)	(62,181)	(1,245,070)
Property total, June 30, 2019	\$ 55,847,210	\$ 505,380	\$ 56,352,590
June 30, 2018			
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

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 (2019 - \$1,642,113, 2018 - \$1,677,167) has been placed on deposit with the MRD. The SML is subject to annual lease payments of FJD\$73,697 (\$44,822).

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, 2019

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 (\$182,457) is due upon the first gold production from mining operations in Tuvatu. An additional lease payment of FJD\$30,000 (\$18,246) 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 four 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	\$ 192,407	\$ 2,730,000	\$ 1,660,359
1465	Aug. 3, 2017	Aug. 2, 2020	75,000	45,614	3,050,000	1,854,980
1512	May 14, 2019	May 13, 2024	40,003	24,329	15,333,305	9,325,563

Bonds

The SPL’s require the posting of bonds as security against future reclamation obligations. As at June 30, 2019, the Company has bonds of \$1,904,463 (2018 - \$1,904,740) held with the MRD pursuant to SML62 and the SPL’s and these are recorded as deposits on the statement of financial position.

Olary Creek, South Australia

On March 19, 2019, the Company entered into a sale agreement (“Agreement”) to sell its 51% Olary Creek Tenement (“Olary”) interest including a 47% interest in the iron ore and manganese rights on the Olary Creek Joint Venture in South Australia, which included a 25% interest free carried through the completion of a bankable feasibility study and the decision to mine, and an optional 22% participating interest, to Olary Magnetite Pty Ltd, a wholly owned subsidiary of Lodestone Equities Limited (“Lodestone”) for the following proceeds:

- 1% FOB royalty on Iron Ore or manganese concentrates sold from Olary plus AUD\$0.75 per tonne of Iron Ore or manganese concentrates or 2% FOB royalty on Iron Ore or manganese concentrates sold from Olary.
- Lodestone shall advance against the FOB royalty payable noted above:
 - a. 10% of all funds raised by Lodestone until funding specifically designated as funding for a Bankable Feasibility Study has been raised;
 - b. AUD\$1,000,000 upon funding being raised by Lodestone specifically designated as funding for a Bankable Feasibility Study;
 - c. AUD\$3,000,000 upon a Decision to Mine made; and
 - d. AUD\$3,000,000 upon 18 months after a Decision to Mine being made.

The Agreement is subject to receiving formal approval for the Olary transfer from the Company to Lodestone from the South Australian Minister of Energy and Mining. The Company has yet to receive formal approval and as such has not recorded this disposition.

LION ONE METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

June 30, 2019**6. PROPERTY AND EQUIPMENT**

	Computers and Office Equipment	Motor Vehicles	Building and Equipment	Total
Cost				
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
Additions for the year	-	192,214	1,434,425	1,626,639
Cumulative translation adjustment	<u>(3,296)</u>	<u>(8,952)</u>	<u>(37,372)</u>	<u>(49,620)</u>
Balance, June 30, 2019	\$ 272,806	\$ 403,152	\$ 3,352,305	\$ 4,028,263
Accumulated depreciation				
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
Additions for the year	33,589	27,686	131,709	192,984
Cumulative translation adjustment	<u>(3,268)</u>	<u>(4,650)</u>	<u>(9,047)</u>	<u>(16,965)</u>
Balance, June 30, 2019	\$ 266,605	\$ 211,359	\$ 573,099	\$ 1,051,063
Net book value				
As at June 30, 2018	\$ 39,818	\$ 31,567	\$ 1,504,815	\$ 1,576,200
As at June 30, 2019	\$ 6,201	\$ 191,793	\$ 2,779,206	\$ 2,977,200

Other Deposits

In July 2018, the Company paid a AUD\$1,097,280 (\$1,075,334) deposit to an Australian mining contractor towards the refurbishment and purchase of certain mining equipment.

7. PROVISIONS AND PAYABLES

Accounts payable and accrued liabilities	2019	2018
Trade payables	\$ 106,738	\$ 91,213
Exploration expenditures payable	132,972	145,654
Employee benefits	<u>144,276</u>	<u>137,575</u>
Balance, end of year	\$ 383,986	\$ 374,442

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, 2019**8. SHARE CAPITAL AND RESERVES**

a) Authorized share capital

Unlimited number of common shares without par value.

b) 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, 2019, there were no shares (June 30, 2018 – 100,000) remaining in trust. Share based payments expense of \$155,000 was recognized for the 100,000 trust shares vested and released. The expense was capitalized to exploration and evaluation assets.

c) 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, 2018. 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, 2017	7,275,000	\$ 0.86
Exercised	(800,000)	0.36
Granted	1,000,000	1.00
Forfeited and expired	<u>(775,000)</u>	0.78
Balance, June 30, 2018	6,700,000	0.95
Exercised	(582,918)	0.35
Granted	3,385,000	0.76
Forfeited and expired	<u>(1,702,082)</u>	1.00
Balance, June 30, 2019	7,800,000	\$ 0.90
Balance, June 30, 2019 exercisable	4,443,750	\$ 0.96

Stock options outstanding as at June 30, 2019:

	Number	Exercise price	Expiry date
Stock Options	2,325,000	\$ 1.00	June 30, 2021
	1,200,000	1.00	April 11, 2022
	1,000,000	1.00	January 26, 2023
	100,000	1.00	March 1, 2024
	<u>3,175,000</u>	0.75	March 1, 2024
	<u>7,800,000</u>		

During the year ended June 30, 2019, the Company granted 3,385,000 (2018 – 1,000,000) stock options. The weighted average fair value of options granted during the year was \$0.49 per share (2018 - \$0.62). Total share-based payments recognized for the year ended June 30, 2019 was \$793,843 (2018 - \$834,008) for incentive options granted and vested. Share-based payments expense of \$402,948 (2018 - \$477,283) was recognized in the statement of loss and comprehensive loss with the balance an expense of \$390,895 (2018 - \$356,725) capitalized to exploration and evaluation assets, which relates to employees and consultants working on the Tuvatu property.

LION ONE METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

June 30, 2019**8. SHARE CAPITAL AND RESERVES (cont'd...)**

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

	2019	2018
Risk-free interest rate	1.82%	0.40%
Expected life of options	5 years	5 years
Annualized volatility	90%	95%
Dividend rate	-	-

9. RELATED PARTY TRANSACTIONS**Management Compensation**

Key management personnel comprise of the Chief Executive Officer, Managing Director, Chief Financial Officer, Chief Development Officer, 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:

	2019	2018
Payments to key management personnel:		
Cash compensation	\$ 965,028	\$ 951,621
Share-based payments	419,084	619,361

During the year ended June 30, 2019, the Company paid \$180,000 (2018 - \$229,671) in rent to Cabrera Capital Corp. ("Cabrera"), a company controlled by a director of the Company. As at June 30, 2019, the Company had a payable of \$33,952 (2018 - \$18,612) due to Cabrera.

During the year ended June 30, 2019, the Company paid professional services fees of \$34,086 (2018 - \$35,433) to a management services company owned by a director of the Company's subsidiary.

During the year ended June 30, 2019, the Company paid directors' fees of \$23,000 (2018 - \$23,000) to non-executive board members.

As at June 30, 2019, the Company has a payable of \$Nil (2018 - \$9,597) 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.

LION ONE METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

June 30, 2019**10. SEGMENTED INFORMATION**

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

June 30, 2019	Fiji	Australia	Total
Exploration and evaluation assets	\$ 55,847,210	\$ 505,380	\$ 56,352,590
Property and equipment	<u>2,977,200</u>	<u>-</u>	<u>2,977,200</u>
	\$ 58,824,410	\$ 505,380	\$ 59,329,790

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

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, 2019 and 2018 is as follows:

	2019	2018
Net loss before income tax	\$ 2,221,436	\$ 2,249,517
Income tax rate	<u>27.00%</u>	<u>26.50%</u>
Expected tax recovery at statutory income tax rate	(600,000)	(596,000)
Increase (decrease) due to:		
Permanent differences	112,000	136,000
Effect of change in tax and foreign exchange rate	220,000	71,000
True up and other adjustments	(52,000)	84,000
Tax effect of tax losses and temporary differences not recognized	<u>320,000</u>	<u>305,000</u>
	\$ -	\$ -

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:

	2019	2018
Non-capital losses	\$ 26,019,000	\$ 24,366,000
Share issue costs	807,000	1,211,000
Exploration and evaluation assets (no expiry date)	3,597,000	3,791,000
Property and equipment (no expiry date)	<u>315,000</u>	<u>126,000</u>

As at June 30, 2019, the Company has non-capital losses, for Canadian income tax purposes, of approximately \$17,735,000 to reduce future taxable income in Canada. These losses, if unused, will expire between 2027 and 2039.

LION ONE METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

June 30, 2019

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cash and restricted cash are measured 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.

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, 2019, the Company had working capital of \$9,135,456.

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.

LION ONE METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

June 30, 2019

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(cont'd...)

As at June 30, 2019, the Company's net foreign denominated financial assets (liabilities) are as follows:

	Foreign currency		Canadian dollar equivalent	
Australian Dollar	\$	2,437,717	\$	2,237,093
Fijian Dollar		4,058,543		2,468,365

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	2019		2018	
+ 5%	\$	235,273	\$	108,723
- 5%		(235,273)		(108,723)

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.

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 \$71,453,824 (2018 - \$73,582,583). 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, 2019.