



LION ONE METALS LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED September 30, 2021

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

(Expressed in Canadian Dollars)

(Unaudited)

	September 30 2021	June 30 2021
ASSETS		
Current		
Cash and cash equivalents	\$ 38,941,432	\$ 43,213,213
Short term investments (Note 4)	15,000,000	15,000,000
Receivables	528,897	392,782
Prepaid expenses	176,489	139,394
	<u>54,646,818</u>	<u>58,745,389</u>
Restricted cash (Note 4)	27,486	27,885
Right-of-use asset (Note 9)	232,600	271,366
Deposits (Note 5, 7)	2,099,678	1,982,692
Other assets (Note 7)	767,289	771,994
Exploration and evaluation assets (Note 5)	69,000,349	66,495,023
Property and equipment (Note 6)	7,284,898	5,996,548
	<u>\$ 134,059,118</u>	<u>\$ 134,290,897</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8, 11)	\$ 288,549	\$ 704,614
Lease liability (Note 9)	151,379	148,391
	<u>439,928</u>	<u>853,005</u>
Lease liability (Note 9)	102,255	144,644
	<u>542,183</u>	<u>997,649</u>
Shareholders' equity		
Share capital (Note 10)	164,262,661	164,262,661
Reserves (Note 10)	25,499,498	25,094,491
Accumulated other comprehensive income	1,101,749	908,804
Deficit	(57,346,973)	(56,972,708)
	<u>133,516,935</u>	<u>133,293,248</u>
	<u>\$ 134,059,118</u>	<u>\$ 134,290,897</u>

Nature of operations and going concern (Note 1)

Approved and authorized by the Board on November 12, 2021:

"Walter H. Berukoff"

Director

"Richard Meli"

Director

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

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

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED SEPTEMBER 30

	2021	2020
EXPENSES		
Consulting fees	\$ 11,502	\$ 11,250
Depreciation (Note 9)	38,766	38,767
Directors' fees (Note 11)	5,750	5,750
Foreign exchange gain	(289,920)	(11,505)
Interest expense (Note 9)	5,599	8,619
Licenses, dues and insurance	24,362	12,730
Investor relations	122,232	218,619
Management fees	75,668	76,653
Office and administrative	99,569	123,931
Professional fees (Note 11)	89,526	102,665
Shareholder communications and filings	63,125	66,872
Share-based payments (Note 10)	238,547	234,559
Operating loss	(484,726)	(888,910)
OTHER INCOME		
Interest income	110,461	135,149
Loss for the period	(374,265)	(753,761)
OTHER COMPREHENSIVE LOSS		
Foreign exchange translation adjustment	192,945	(182,295)
Comprehensive loss for the period	\$ (181,320)	\$ (936,056)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding	156,371,893	130,497,441

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 THREE MONTHS ENDED September 30

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (374,265)	\$ (753,761)
Non-cash items:		
Foreign exchange gain	(289,920)	(11,505)
Depreciation	38,766	38,767
Interest expense	5,599	8,619
Share-based payments	238,547	234,559
Changes in non-cash working capital items:		
Receivables	(135,596)	(146,352)
Prepaid expenses	(37,131)	32,629
Accounts payable and accrued liabilities	(184,139)	69,406
	<u>(738,139)</u>	<u>(527,638)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,473,839)	(10,889)
Exploration and evaluation asset expenditures	(2,085,718)	(1,460,836)
Short term investments	-	(10,000,000)
Deposits and other assets	(107,988)	(72,171)
	<u>(3,667,545)</u>	<u>(11,543,896)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash proceeds from sale of shares – private placement	-	39,697,458
Share issuance costs on private placement	-	(2,696,478)
Cash proceeds on exercise of stock options	-	75,000
Cash proceeds on exercise of warrants and compensation options	-	7,525,300
Payment of lease liabilities	(45,000)	(45,000)
	<u>(45,000)</u>	<u>44,556,280</u>
Effect of exchange rate changes on cash	178,903	112,911
Change in cash during the period	(4,271,781)	32,597,657
Cash and cash equivalents, beginning of the period	<u>43,213,213</u>	<u>10,256,600</u>
Cash and cash equivalents, end of the period	\$ 38,941,432	\$ 42,854,257
Supplementary cash flow information:		
Cash and cash equivalents consist of:		
Cash	\$ 33,941,432	\$ 36,854,257
Redeemable short-term deposit certificates	5,000,000	6,000,000
Non-cash transactions:		
Depreciation expense capitalized to exploration and evaluation assets	\$ 210,809	\$ 125,156
Share-based payments expense (recovery) capitalized to exploration and evaluation assets	166,460	102,344
Share-based payments expense – share issuance costs	-	1,257,883
Stock options exercised – fair value	-	63,323
Accounts payable and accrued liabilities in exploration and evaluation assets	209,960	176,230

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LION ONE METALS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital		Obligation to Issue Shares	Reserves	Deficit	Accumulated Other Comprehensive Income	Total
	Number	Amount					
Balance, June 30, 2020	118,292,172	108,482,976	46,875	\$ 22,846,589	\$ (52,741,346)	\$ 3,433,240	\$ 82,068,334
Share-based payments – stock options	-	-	-	336,903	-	-	336,903
Exercise of stock options	137,500	185,198	(46,875)	(63,323)	-	-	75,000
Private placement	21,673,181	39,697,458	-	-	-	-	39,697,458
Share issuance costs	-	(3,954,311)	-	1,257,833	-	-	(2,696,478)
Exercise of compensation Options (Note 10(d))	501,875	593,944	-	(192,444)	-	-	401,500
Warrant exercised (Note 10(c))	6,803,000	7,123,800	-	-	-	-	7,123,800
Comprehensive loss for the period	-	-	-	-	(753,761)	(182,295)	(936,056)
Balance, September 30, 2020	147,407,728	\$ 152,129,065	-	\$ 24,185,558	\$ (53,495,107)	\$ 3,250,945	\$ 126,070,461
Share-based payments – stock options	-	-	-	1,482,933	-	-	1,482,933
Exercise of stock options	931,540	1,457,101	-	(534,936)	-	-	922,165
Share issuance costs	-	(769)	-	-	-	-	(769)
Exercise of compensation options (Note 10(d))	101,875	120,564	-	(39,064)	-	-	81,500
Warrant exercised (Note 10(c))	7,930,750	10,556,700	-	-	-	-	10,556,700
Comprehensive loss for the period	-	-	-	-	(3,477,601)	(2,342,141)	(5,819,742)
Balance, June 30, 2021	156,371,893	\$ 164,262,661	-	\$ 25,094,491	\$ (56,972,708)	\$ 908,804	\$ 133,293,248
Share-based payments – stock options	-	-	-	405,007	-	-	405,007
Comprehensive loss for the period	-	-	-	-	(374,265)	192,945	(181,320)
Balance, September 30, 2021	156,371,893	\$ 164,262,661	-	\$ 25,499,498	\$ (57,346,973)	\$ 1,101,749	\$ 133,516,935

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

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30 2021

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 is listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol LIO and on the Australian Securities Exchange ("ASX") under the symbol LLO. 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 has not advanced its properties to commercial production. The Company estimates that it has adequate financial resources for the next twelve months with working capital of \$54,206,890. 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 Company's business could be adversely affected by the effects of the ongoing outbreak of respiratory illness caused by the novel coronavirus ("COVID-19"). In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally. The Company continues to monitor the situation in Fiji, however it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of the COVID-19 globally could materially and adversely impact the Company's business including without limitation, employee health, limitations on travel, the availability of industry experts and personnel, restrictions on planned drill and exploration programs, restrictions on the Company's future mine development and process plant construction, and other factors that depend on future developments beyond the Company's control. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on the Company's development and exploration activities, including the impact on future mine development and process plant construction, cannot be reasonably estimated at this time.

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.

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30 2021

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 year. 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

New accounting pronouncements but not yet effective

The Company has not applied the following revised IFRS that has been issued but was not yet effective at September 30, 2021. This accounting standard is not currently expected to have a significant effect on the Company's accounting policies or financial statements.

- IAS 16, Property, Plant and Equipment - Proceeds Before Intended Use (effective January 1, 2022). The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in profit or loss.

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30 2021**4. SHORT TERM INVESTMENTS AND RESTRICTED CASH**

The short-term investments is comprised of guaranteed investment certificates issued by the Company's banking institutions. The restricted cash balance is comprised of a guaranteed investment certificate and security deposit held as collateral for the Company's corporate credit cards.

5. EXPLORATION AND EVALUATION ASSETS

September 30, 2021	Total
Acquisition costs	
Balance, June 30, 2021	\$ 21,915,063
Disposals for the year	<u>-</u>
Balance, September 30, 2021	21,915,063
Exploration expenditures	
Balance, June 30, 2021	46,798,671
Additions for the period	<u>2,288,346</u>
Balance, September 30, 2021	49,087,017
Cumulative translation adjustment	
Balance, June 30, 2021	(2,218,711)
Adjustments for the period	<u>216,980</u>
Balance, September 30, 2021	(2,001,731)
Property total, September 30, 2021	\$ 69,000,349
<hr/>	
June 30, 2021	Total
Acquisition costs	
Balance, June 30, 2020	\$ 21,915,063
Disposals for the year	<u>-</u>
Balance, June 30, 2021	21,915,063
Exploration expenditures	
Balance, June 30, 2020	39,827,049
Additions for the year	<u>6,971,622</u>
Balance, June 30, 2021	46,798,671
Cumulative translation adjustment	
Balance, June 30, 2020	(104,495)
Adjustments for the year	<u>(2,114,216)</u>
Balance, June 30, 2021	(2,218,711)
Property total, June 30, 2021	\$ 66,495,023

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30 2021

5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

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 (2021 - \$1,615,194, June 30, 2021 - \$1,607,761) has been placed on deposit with the MRD. The SML is subject to annual lease payments of FJD\$73,697 (\$44,087).

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.

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 (\$418,754) was paid upon acceptance of the Surface Lease agreement. In March 2019, the Company paid FJD\$249,497 (\$149,254) to the TLTB with FJD\$50,503 (\$30,212) remaining is due upon the first gold production from mining operations in Tuvatu. An additional lease payment of FJD\$30,000 (\$17,947) 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.

SPL	Issued	Expiry Date	Bond (Fijian \$)	Bond (Canadian \$)	Expenditure Requirement (Fijian \$)	Expenditure Requirement (Canadian \$)
1283	Aug. 24, 2020	Aug. 23, 2025	\$ 158,180	\$ 94,626	\$ 1,400,000	\$ 837,508
1296	Aug. 24, 2020	Aug. 23, 2025	158,180	94,626	\$ 1,600,000	957,152
1465	Aug. 3, 2017	Aug. 2, 2020	185,000	110,671	3,050,000	1,824,571
1512	May 14, 2019	May 13, 2024	280,038	167,525	15,333,305	9,172,690

Bonds

The SPL's require the posting of bonds as security against future reclamation obligations. As at September 30, 2021, the Company has bonds of \$2,057,986 (June 30, 2021 - \$1,944,418) held with the MRD pursuant to SML62 and the SPL's and these are recorded as deposits on the statement of financial position.

In August 2020, the Company submitted the renewal application for SPL 1465 and the renewal is still in process. The MRD has confirmed that SPL 1465 remains in good standing.

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30 2021
6. PROPERTY AND EQUIPMENT

	Computers and Office Equipment	Motor Vehicles	Building and Equipment	Total
Cost				
Balance, June 30, 2020	\$ 277,232	\$ 413,016	\$ 4,423,722	\$ 5,113,970
Additions for the year	2,156	45,769	3,070,849	3,118,774
Cumulative translation adjustment	<u>(5,997)</u>	<u>(19,780)</u>	<u>(269,958)</u>	<u>(295,735)</u>
Balance, June 30, 2021	273,391	439,005	7,224,613	7,937,009
Additions for the period	(180)	403,248	1,070,771	1,473,839
Cumulative translation adjustment	<u>398</u>	<u>1,376</u>	<u>29,940</u>	<u>31,714</u>
Balance, September 30, 2021	\$ 273,609	\$ 843,629	\$ 8,325,324	\$ 9,442,562
Accumulated depreciation				
Balance, June 30, 2020	\$ 275,976	\$ 257,684	852,288	\$ 1,385,948
Additions for the year	147	46,382	566,141	612,670
Cumulative translation adjustment	<u>(5,880)</u>	<u>(12,580)</u>	<u>(39,697)</u>	<u>(58,157)</u>
Balance, June 30, 2021	270,243	291,486	1,378,732	1,940,461
Additions for the period	-	15,576	195,233	210,809
Cumulative translation adjustment	<u>445</u>	<u>1,302</u>	<u>4,647</u>	<u>6,394</u>
Balance, September 30, 2021	\$ 270,688	\$ 308,364	\$ 1,578,612	\$ 2,157,664
Net book value				
As at June 30, 2021	\$ 3,148	\$ 147,519	\$ 5,845,881	\$ 5,996,548
As at September 30, 2021	\$ 2,921	\$ 535,265	\$ 6,746,712	\$ 7,284,898

7. OTHER ASSETS
Royalty Interest on 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 Mines 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 ("BFS") 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 being made; and
 - d. AUD\$3,000,000 upon 18 months after a Decision to Mine being made.

On October 15, 2019, the Company received formal approval from the South Australian Minister of Energy and Mining for the Olary transfer to Lodestone. The Company has assigned the carrying value of the Olary Creek property at \$324,102 (2021 - \$328,807) to the value of the royalty interest.

Mining Equipment Deposit

In July 2018, the Company paid an AUD\$1,097,280 (\$1,075,334) deposit to an Australian mining contractor towards the refurbishment and purchase of certain mining equipment. In May 2021, the Company requested the delivery of the mining equipment to Fiji and to date it has not been delivered. The Company is currently pursuing the matter in a legal claim and has written down the deposit to the estimated carrying value of \$443,187.

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30 2021**8. PROVISIONS AND PAYABLES**

	September 30, 2021	June 30, 2021
Accounts payable and accrued liabilities		
Trade payables	\$ 74,750	\$ 51,648
Exploration expenditures payable	209,960	382,857
Employee benefits	3,839	270,109
Balance, end of the period	\$ 288,549	\$ 704,614

Employee benefits includes accrued long-term service benefits for employees in Australia in accordance with Australian labour standards.

9. RIGHT OF USE ASSET AND LEASES**Right-of-use asset**

	September 30, 2021	June 30, 2021
Opening balance	\$ 271,366	\$ 426,433
Depreciation	(38,766)	(155,067)
	\$ 232,600	\$ 271,366

Lease liability

	September 30, 2021	June 30, 2021
Opening balance	\$ (293,035)	\$ (443,014)
Payments	45,000	180,000
Accreted interest	(5,599)	(30,021)
	\$ (253,634)	\$ (293,035)
Lease liability (current)	(151,379)	(148,391)
Lease liability (non-current)	(102,255)	(144,644)
	\$ (253,634)	\$ (293,035)

10. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common shares without par value.

b) Stock options

The TSX Venture Exchange accepted the Company's Stock Option Plan, which was approved by the Company's shareholders at the Annual General Meeting ("AGM") held on December 16, 2020. 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 AGM 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, 2020	8,411,540	\$ 1.08
Exercised	(1,069,040)	0.98
Granted	3,500,000	1.25
Forfeited and expired	(1,362,500)	0.99
Balance, June 30, 2021	9,480,000	1.16
Granted	-	-
Exercised, forfeited and expired	-	-
Balance, September 30, 2021	9,480,000	\$ 1.16
Balance, September 30, 2021 exercisable	5,062,500	\$ 1.10

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30 2021
10. SHARE CAPITAL AND RESERVES (cont'd...)

b) Stock options (cont'd..)

The following stock options are outstanding and exercisable as at September 30, 2021:

	Number of Options Outstanding	Exercise price	Number of Options Exercisable	Expiry date
Stock Options	300,000	\$ 1.75	300,000	February 1, 2022
	860,000	1.00	860,000	January 26, 2023
	2,545,000	0.75	1,871,250	March 1, 2024
	75,000	1.00	56,250	March 1, 2024
	2,200,000	1.50	1,100,000	June 3, 2025
	3,500,000	1.25	875,000	June 2, 2026
	<u>9,480,000</u>		<u>5,062,500</u>	

During the period ended September 30, 2021, the Company granted Nil (2020 – Nil) stock options. The weighted average fair value of options granted during the period was Nil per share (2020 - Nil). Total share-based payments recognized for the period ended September 30, 2021 was \$405,007 (2020 - \$336,903) for incentive options granted and vested. Share-based payments expense of \$238,547 (2020 - \$234,559) was recognized in the statement of loss and comprehensive loss with the balance of \$166,460 (2020 – \$102,345) capitalized to exploration and evaluation assets, which relates to employees and consultants working on the Tuvatu property.

c) Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	Expiry Date
Balance, June 30, 2020	14,375,000	\$ 1.20	June 6, 2021
Issued Tranche 1 Aug. 2020	6,760,805	2.35	August 20, 2021
Issued Tranche 2 Aug. 2020	4,075,786	2.75	August 20, 2021
Warrants exercised	<u>(14,375,000)</u>	1.20	June 6, 2021
Balance, June 30, 2021	10,836,591		
Warrants expired	<u>(10,836,591)</u>	2.50	August 20, 2021
	-		
Compensation Options (Note 10(d))			
Balance, June 30, 2020	258,750	1.20	June 6, 2021
Issued	603,750	1.20	June 6, 2021
Expired	(503,750)	1.20	June 6, 2021
Exercised	(358,750)	1.20	June 6, 2021
Balance, June 30, 2021	258,750		
Issued	603,750	1.20	June 6, 2021
Expired	(503,750)	1.20	June 6, 2021
Exercised	(358,750)	1.20	June 6, 2021
Balance outstanding and exercisable, Sept 30, 2021	<u>-</u>	\$ -	

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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September 30 2021**10. SHARE CAPITAL AND RESERVES (cont'd...)**

On August 25, 2020, the Company elected to accelerate the expiry date of the outstanding common share purchase warrants originally issued by the Company as part of its private placement which closed on December 6, 2019. Pursuant to the terms of the Warrants, the Company can accelerate the expiry date of the Warrants if the closing price of the Company's common shares listed on the TSX Venture Exchange remain higher than \$1.65 for 20 consecutive trading days. On August 24, 2020 the Company's common shares closed at a price higher than \$1.65 for 20 consecutive trading days. As a result, the Company exercised the acceleration right relating to the Warrants to expire on October 7, 2020. On October 13, 2020, the Company announced that a total of 14,375,000 warrants representing 100% of the \$1.20 warrants issued in connection with the December 2019 private placement for gross proceeds of approximately \$17.25 million.

d) Compensation Options

Compensation Options are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	Expiry Date
Balance, June 30, 2020	603,750	\$ 0.80	June 6, 2021
Issued - Tranche 1	811,968	1.70	August 20, 2022
Issued - Tranche 2	491,042	2.05	August 20, 2022
Exercised	(603,750)	0.80	June 6, 2021
Balance, June 30, 2021	1,303,010	1.83	August 20, 2022
Balance outstanding and exercisable, September 30, 2021	1,303,010	\$ 1.83	

11. RELATED PARTY TRANSACTIONS**Management Compensation**

Key management personnel comprise of the: Chief Executive Officer, Managing Director, Chief Financial Officer, Chief Operating Officer, Senior Vice President Exploration and Vice President and Corporate Secretary of the Company. The remuneration of the key management personnel is as follows for the period ended September 30:

	2021	2020
Payments to key management personnel:		
Cash compensation expensed to management fees, professional fees, investor relations and consulting fees	\$ 146,918	\$ 142,903
Cash compensation capitalized to exploration and evaluation assets	156,237	65,585
Share-based payments	281,456	125,699

During the period ended September 30, 2021, the Company paid \$45,000 (2020 - \$45,000) in rent to Cabrera Capital Corp. ("Cabrera"), a company controlled by a director of the Company. As at September 30, 2021, the Company had a payable of \$33,044 (June 30, 2021 - \$82,181) due to Cabrera and officer of the company and a lease liability of \$253,634 (June 30, 2021 - 293,035) due to Cabrera equal to the present value of office space lease payments over the term of the lease.

During the period ended September 30, 2021, the Company paid professional services fees of \$8,330 (2020 - \$8,576) to a management services company owned by a director of the Company's subsidiary. During the period ended September 30, 2021, the Company paid directors' fees of \$5,750 (2020 - \$5,750) to non-executive board members.

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11. RELATED PARTY TRANSACTIONS (cont'd...)

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.

12. SEGMENTED INFORMATION

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

September 30, 2021	Fiji	Australia	Total
Exploration and evaluation assets	\$ 69,000,349	\$ -	\$ 69,000,349
Other assets	-	767,289	767,289
Property and equipment	7,284,898	-	7,284,898
	\$ 76,285,247	\$ 767,289	\$ 77,052,536

June 30, 2021	Fiji	Australia	Total
Exploration and evaluation assets	\$ 66,495,023	\$ -	\$ 66,495,023
Other assets	-	771,994	771,994
Property and equipment	5,996,548	-	5,996,548
	\$ 72,491,571	\$ 771,994	\$ 73,263,565

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cash and cash equivalents, short term investments, restricted cash, receivables, deposits, accounts payable and accrued liabilities and lease obligations are carried at amortized cost. The Company considers that the carrying amount of the current 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 cash equivalents, short term investments 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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30 2021**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)****Financial risk factors (cont'd...)***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 September 30, 2021, the Company had working capital of \$54,206,890.

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 and cash equivalents and short-term investments. 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 is conducted in Canadian dollars and Fijian dollars. A portion of the Company's financial assets and other assets is denominated in US dollars and Australian dollars. As such, the Company is exposed to foreign currency risk in fluctuations.

As at September 30, 2021, the Company's net foreign denominated financial assets (liabilities) are as follows:

	Foreign currency		Canadian dollar equivalent	
Australian Dollar	\$	1,718,489	\$	1,574,480
Fijian Dollar		4,760,424		2,847,781
USD Dollar		7,708,166		9,820,974

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	September 30, 2021		June 30, 2021	
+ 5%	\$	712,162	\$	802,614
- 5%		(712,162)		(802,614)

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

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14. 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 \$133,516,935 (June 30, 2021 - \$133,293,248). 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 period ended September 30, 2021.