



LION ONE METALS LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED SEPTEMBER 30, 2020

**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 2020 | June 30 2020 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 42,854,257 | \$ 10,256,600 |
| Short term investments (Note 3) | 13,000,000 | 3,000,000 |
| Receivables | 334,221 | 188,361 |
| Prepaid expenses | 118,857 | 151,426 |
| | <u>56,307,335</u> | <u>13,596,387</u> |
| Restricted cash (Note 3) | 28,635 | 28,146 |
| Right-of-use asset (Note 7) | 387,666 | 426,433 |
| Deposits (Note 4, 5) | 3,130,502 | 3,115,929 |
| Other assets | 480,825 | 480,430 |
| Exploration and evaluation assets (Note 4) | 63,130,605 | 61,637,617 |
| Property and equipment (Note 5) | <u>3,597,178</u> | <u>3,728,022</u> |
| | <u>\$ 127,062,746</u> | <u>\$ 83,012,964</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY**Current**

| | | |
|--|-----------------------|----------------------|
| Accounts payable and accrued liabilities (Note 6, 9) | \$ 529,350 | \$ 447,258 |
| Lease liability (Note 7) | <u>139,778</u> | <u>137,019</u> |
| | 669,128 | 584,277 |
| Lease liability (Note 7) | 266,855 | 305,995 |
| Long-term provisions (Note 6) | <u>56,302</u> | <u>54,358</u> |
| | <u>992,285</u> | <u>944,630</u> |
| Shareholders' equity | | |
| Share capital (Note 8) | 152,129,065 | 108,482,976 |
| Reserves (Note 8) | 24,185,558 | 22,846,589 |
| Obligation to issue shares | - | 46,875 |
| Accumulated other comprehensive income | 3,250,945 | 3,433,240 |
| Deficit | <u>(53,495,107)</u> | <u>(52,741,346)</u> |
| | <u>126,070,461</u> | <u>82,068,334</u> |
| | <u>\$ 127,062,746</u> | <u>\$ 83,012,964</u> |

Nature of operations and going concern (Note 1)**Subsequent events** (Note 13)

Approved and authorized by the Board on November 12, 2020:

“Walter H. Berukoff”

Director

“Stephen Mann”

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

| | 2020 | 2019 |
|---|--------------------|--------------------|
| EXPENSES | | |
| Consulting fees | \$ 11,250 | \$ 11,250 |
| Depreciation | 38,767 | 38,767 |
| Directors' fees (Note 9) | 5,750 | 5,750 |
| Foreign exchange (gain) loss | (11,505) | 49,777 |
| Interest expense | 8,619 | 11,407 |
| Licenses, dues and insurance | 12,730 | 19,042 |
| Investor relations | 218,619 | 159,748 |
| Management fees | 76,653 | 85,436 |
| Office and administrative | 123,931 | 105,067 |
| Professional fees (Note 9) | 102,665 | 84,307 |
| Shareholder communications and filings | 66,872 | 46,552 |
| Share-based payments (Note 8(c)) | 234,559 | 76,657 |
| Travel | - | 12,752 |
| Operating loss | (888,910) | (706,512) |
| OTHER INCOME | | |
| Interest income | 135,149 | 47,980 |
| Loss for the year | (753,761) | (658,532) |
| OTHER COMPREHENSIVE LOSS | | |
| Foreign exchange translation adjustment | (182,295) | (611,543) |
| Comprehensive loss for the period | \$ (936,056) | \$ (1,270,075) |
| Basic and diluted loss per common share | \$ (0.01) | \$ (0.01) |
| Weighted average number of common shares outstanding | 130,497,441 | 103,104,962 |

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

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

| | 2020 | 2019 |
|---|----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss for the period | \$ (753,761) | \$ (658,532) |
| Non-cash items: | | |
| Foreign exchange (gain) loss | (11,505) | 49,777 |
| Depreciation | 38,767 | 38,767 |
| Interest expense | 8,619 | 11,407 |
| Share-based payments | 234,559 | 76,657 |
| Changes in non-cash working capital items: | | |
| Receivables | (146,352) | 429,239 |
| Prepaid expenses | 32,629 | 39,220 |
| Accounts payable and accrued liabilities | 69,406 | 22,159 |
| | <u>(527,638)</u> | <u>(8,694)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (10,889) | (176,618) |
| Exploration and evaluation asset expenditures | (1,460,836) | (824,049) |
| Short term investments | (10,000,000) | - |
| Deposits and other assets | (72,171) | (72,567) |
| | <u>(11,543,896)</u> | <u>(1,073,234)</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>44,556,280</u> | <u>(45,000)</u> |
| Effect of exchange rate changes on cash | 112,911 | (66,246) |
| Change in cash during the period | 32,597,657 | (1,175,786) |
| Cash and cash equivalents, beginning of period | <u>10,256,600</u> | <u>8,907,418</u> |
| Cash and cash equivalents, end of period | <u>\$ 42,854,257</u> | <u>\$ 7,731,632</u> |
| Supplementary cash flow information: | | |
| Cash and cash equivalents consist of: | | |
| Cash | \$ 36,854,257 | \$ - |
| Redeemable short-term deposit certificates | 6,000,000 | - |
| Non-cash transactions: | | |
| Depreciation expense capitalized to exploration and evaluation assets | \$ 125,156 | \$ 54,689 |
| Right-of-use asset recognized upon accounting policy change | - | 581,499 |
| Share-based payments expense capitalized to exploration and evaluation assets | 102,344 | 78,413 |
| 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 | 176,230 | 157,706 |

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

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, 2019 | 103,104,962 | \$ 97,214,173 | - | \$ 21,868,222 | \$ (50,017,524) | \$ 2,388,953 | \$ 71,453,824 |
| Share-based payments – stock options | - | - | - | 155,070 | - | - | 155,070 |
| Comprehensive loss for the period | - | - | - | - | (658,532) | (611,543) | (1,270,075) |
| Balance, September 30, 2019 | 103,104,962 | 97,214,173 | - | 22,023,292 | (50,676,056) | 1,777,410 | 70,338,819 |
| Share-based payments – stock options | - | - | - | 820,376 | - | - | 820,376 |
| Exercise of stock options | 553,460 | 736,423 | 46,875 | (228,588) | - | - | 554,710 |
| Private placement | 14,375,000 | 11,500,000 | - | - | - | - | 11,500,000 |
| Share issuance costs | - | (1,273,839) | - | 330,728 | - | - | (943,111) |
| Exercise of compensation options (Note 8(e)) | 258,750 | 306,219 | - | (99,219) | - | - | 207,000 |
| Comprehensive loss for the period | - | - | - | - | (2,065,290) | 1,655,830 | (409,460) |
| 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 8(e)) | 501,875 | 593,944 | - | (192,444) | - | - | 401,500 |
| Warrant exercised (Note 8(d)) | 6,803,000 | 7,123,800 | - | - | - | - | 7,123,800 |
| Comprehensive loss for the period | - | - | - | - | (7,537,611) | (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 |

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, 2020

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 condensed consolidated interim 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 condensed consolidated interim 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 September 30, 2020, the Company had not advanced its properties to commercial production. The Company estimates that it 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.

In March 2020 the World Health Organization declared coronavirus 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, potentially leading to an economic downturn. The Company continues to monitor the situation in Fiji, and whilst the health and safety of its employees remains the highest priority, work activities have continued with little disruption. 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.

The condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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, 2020

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

Use of Estimates

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

Judgments

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

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

Estimates

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

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

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

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

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the right-of-use assets and the valuation of lease liabilities. These include: determining agreements in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

The present value of the lease payment is determined using a discount rate representing the Company's incremental borrowing rate.

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30, 2020**3. 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.

4. EXPLORATION AND EVALUATION ASSETS

| September 30, 2020 | Fiji | Australia | Total |
|---|----------------------|------------------|----------------------|
| Acquisition costs | | | |
| Balance, June 30, 2020 | \$ 21,915,063 | \$ - | \$ 21,915,063 |
| Disposals for the year | - | - | - |
| Balance, September 30, 2020 | 21,915,063 | - | 21,915,063 |
| Exploration expenditures | | | |
| Balance, June 30, 2020 | 39,827,049 | - | 39,827,049 |
| Additions for the period | 1,697,711 | - | 1,697,711 |
| Disposals for the period | - | - | - |
| Balance, September 30, 2020 | 41,524,760 | - | 41,524,760 |
| Cumulative translation adjustment | | | |
| Balance, June 30, 2020 | (104,495) | - | (104,495) |
| Adjustments for the period | (204,723) | - | (204,723) |
| Disposals for the period | - | - | - |
| Balance, September 30, 2020 | (309,218) | - | (309,218) |
| Property total, September 30, 2020 | \$ 63,130,605 | \$ - | \$ 63,130,605 |

| June 30, 2020 | Fiji | Australia | Total |
|--|----------------------|------------------|----------------------|
| Acquisition costs | | | |
| Balance, June 30, 2019 | \$ 21,915,063 | \$ 511,890 | \$ 22,426,953 |
| Disposals for the year | - | (511,890) | (511,890) |
| Balance, June 30, 2020 | 21,915,063 | - | 21,915,063 |
| Exploration expenditures | | | |
| Balance, June 30, 2019 | 35,115,036 | 55,671 | 35,170,707 |
| Additions for the year | 4,712,013 | 2,729 | 4,714,742 |
| Disposals for the year | - | (58,400) | (58,400) |
| Balance, June 30, 2020 | 39,827,049 | - | 39,827,049 |
| Cumulative translation adjustment | | | |
| Balance, June 30, 2019 | (1,182,889) | (62,181) | (1,245,070) |
| Adjustments for the year | 1,078,394 | (27,679) | 1,050,715 |
| Disposals for the year | - | 89,860 | 89,860 |
| Balance, June 30, 2020 | (104,495) | - | (104,495) |
| Property total, June 30, 2020 | \$ 61,637,617 | \$ - | \$ 61,637,617 |

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30, 2020

4. 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 (2020 - \$1,682,300, 2019 - \$1,642,113) has been placed on deposit with the MRD. The SML is subject to annual lease payments of FJD\$73,697 (\$45,919).

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 (\$419,790) was paid upon acceptance of the Surface Lease agreement. In March 2019, the Company paid FJD\$249,497 (\$155,455) to the TLTB with FJD\$50,503 (\$31,467) remaining is due upon the first gold production from mining operations in Tuvatu. An additional lease payment of FJD\$30,000 (\$18,692) 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 | \$ 98,105 | \$ 1,400,000 | \$ 868,297 |
| 1296 | Aug. 24, 2020 | Aug. 23, 2025 | 158,180 | 98,105 | \$ 1,600,000 | 992,339 |
| 1465 | Aug. 3, 2017 | Aug. 2, 2020 | 185,000 | 114,739 | 3,050,000 | 1,891,647 |
| 1512 | May 14, 2019 | May 13, 2024 | 64,007 | 39,698 | 15,333,305 | 9,509,900 |

Bonds

The SPL's require the posting of bonds as security against future reclamation obligations. As at September 30, 2020, the Company has bonds of \$2,025,219 (2019 - \$1,879,560) held with the MRD pursuant to SML62 and the SPL's and these are recorded as deposits on the statement of financial position.

In February 2020, the Company submitted the renewal applications for SPL 1283/1296 to the MRD. In September 2020, the Company was notified that the renewal for SPL 1283/1296 was approved and the expiration date is August 23, 2025. The expenditure requirement for the 5 year period ending on August 23, 2025 for SPL 1283 and SPL1296 is FJD\$1,400,000 and FJD\$1,600,000 respectively. No additional bonds will be required for SPL 1283/1296 over the 5 year period.

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, 2020**5. PROPERTY AND EQUIPMENT**

| | Computers and Office Equipment | Motor Vehicles | Building and Equipment | Total |
|-----------------------------------|--------------------------------------|-------------------|---------------------------|-----------------|
| Cost | | | | |
| Balance, June 30, 2019 | \$ 272,806 | \$ 403,152 | \$ 3,352,305 | \$ 4,028,263 |
| Additions for the year | 1,059 | - | 995,290 | 996,349 |
| Cumulative translation adjustment | <u>3,367</u> | <u>9,864</u> | <u>76,127</u> | <u>89,358</u> |
| Balance, June 30, 2020 | 272,232 | 413,016 | 4,423,722 | 5,113,970 |
| Additions for the year | - | - | 10,889 | 10,889 |
| Cumulative translation adjustment | <u>(415)</u> | <u>(1,873)</u> | <u>(18,549)</u> | <u>(20,837)</u> |
| Balance, September 30, 2020 | \$ 276,817 | \$ 411,143 | \$ 4,416,062 | \$ 5,104,022 |
| Accumulated depreciation | | | | |
| Balance, June 30, 2019 | \$ 266,605 | \$ 211,359 | 573,099 | \$ 1,051,063 |
| Additions for the year | 6,031 | 39,986 | 264,908 | 310,925 |
| Cumulative translation adjustment | <u>3,340</u> | <u>6,339</u> | <u>14,281</u> | <u>23,960</u> |
| Balance, June 30, 2020 | 275,976 | 257,684 | 852,288 | 1,385,948 |
| Additions for the year | 40 | 10,290 | 114,826 | 125,156 |
| Cumulative translation adjustment | <u>(433)</u> | <u>(1,152)</u> | <u>(2,675)</u> | <u>(4,260)</u> |
| Balance, September 30, 2020 | \$ 275,583 | \$ 266,822 | \$ 964,439 | \$ 1,506,844 |
| Net book value | | | | |
| As at June 30, 2020 | \$ 1,256 | \$ 155,332 | \$ 3,571,434 | \$ 3,728,022 |
| As at September 30, 2020 | \$ 1,234 | \$ 144,321 | \$ 3,451,623 | \$ 3,597,178 |

Other Deposits

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.

6. PROVISIONS AND PAYABLES

| | September 30, 2020 | June 30, 2020 |
|--|-----------------------|------------------|
| Accounts payable and accrued liabilities | | |
| Trade payables | \$ 141,104 | \$ 69,164 |
| Exploration expenditures payable | 176,230 | 179,837 |
| Employee benefits | <u>212,016</u> | <u>198,257</u> |
| Balance, end of the period | \$ 529,350 | \$ 447,258 |

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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30, 2020**7. RIGHT OF USE ASSET AND LEASES**

Right-of-use asset

| | September 30, 2020 | June 30, 2020 |
|---------------------|--------------------|---------------|
| Opening balance | \$ 426,433 | \$ - |
| Adoption of IFRS 16 | - | 581,499 |
| Depreciation | (38,767) | (155,066) |
| | \$ 387,666 | \$ 426,433 |

Lease liability

| | September 30, 2020 | June 30, 2020 |
|-------------------------------|--------------------|---------------|
| Opening balance | \$ (443,014) | \$ - |
| Adoption of IFRS 16 | - | (581,499) |
| Payments | 45,000 | 180,000 |
| Accreted interest | (8,619) | (41,515) |
| | \$ (406,633) | \$ (443,014) |
| Lease liability (current) | (139,778) | (137,019) |
| Lease liability (non-current) | (266,855) | (305,995) |
| | \$ (406,633) | \$ (443,014) |

8. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common shares without par value.

b) Private placement

On August 21, 2020, the Company completed a \$39,697,458 "bought deal" brokered private placement and concurrent non-brokered private placement of an aggregate of (i) 13,521,610 units (the "Tranche 1 Units") of the Company at a price of C\$1.70 per Tranche 1 Unit (the "Tranche 1 Price") for gross proceeds of C\$22,986,737 and (ii) 8,151,571 units (the "Tranche 2 Units" and together with the Tranche 1 Units, the "Units") of the Company at a price of C\$2.05 per Tranche 2 Unit (the "Tranche 2 Price") for gross proceeds of C\$16,710,721.

Each Tranche 1 Unit is comprised of one common share and one-half (1/2) of one common share purchase warrant (each whole common share purchase warrant attaching to a Tranche 1 Unit, a "Tranche 1 Warrant") of the Company. The Company issued 6,760,805 Tranche 1 share purchase warrants and each Tranche 1 Warrant shall be exercisable to acquire one Common Share at a price per Warrant Share of C\$2.35 expiring on August 21, 2021.

Each Tranche 2 Unit is comprised of one common share and one-half (1/2) of one common share purchase warrant (each whole common share purchase warrant attaching to a Tranche 2 Unit, a "Tranche 2 Warrant") of the Company. The Company issued 4,075,786 Tranche 2 share purchase warrants and each Tranche 2 Warrant shall be exercisable to acquire one Common Share at a price per Warrant Share of C\$2.75 expiring on August 21, 2021.

The Company incurred broker, filing and legal fees of \$2,696,478 and recognized \$1,257,883 for share issuance costs related to the issuance Tranche 1 and Tranche 2 Compensation Options ("CO").

- i. Tranche 1 CO: The Company recognized \$816,894 for share issuance costs related to the issuance of 811,968 non-transferable CO, each CO consists of an option to purchase one common share at a price of \$1.70 per unit until August 20, 2022. The fair value of the Tranche 1 CO's of \$816,894 was determined using the Black-Scholes option pricing model using the following assumptions: risk free interest rate 0.29%, expected life of 2 years, annualized volatility 82% and dividend rate at nil.
- ii. Tranche 2 CO: The Company recognized \$440,939 for share issuance costs related to the issuance of 491,042 non-transferable CO, each CO consists of an option to purchase one common share at a price of \$2.05 per unit until August 20, 2022. The fair value of the CO's of \$440,939 was determined using the Black-Scholes option pricing model using the following assumptions: risk free interest rate 0.29%, expected life of 2 years, annualized volatility 82% and dividend rate at nil.

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30, 2020**8. SHARE CAPITAL AND RESERVES (cont'd...)**

c) 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 held on December 18, 2019. 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, 2019 | 7,800,000 | \$ 0.90 |
| Exercised | (553,460) | 0.92 |
| Granted | 2,500,000 | 1.53 |
| Forfeited and expired | <u>(1,335,000)</u> | 0.95 |
| Balance, June 30, 2020 | 8,411,540 | \$ 1.08 |
| Exercised | (137,500) | 0.89 |
| Granted | - | - |
| Forfeited and expired | <u>(62,500)</u> | 0.75 |
| Balance, September 30, 2020 | 8,211,540 | \$ 1.08 |
| Balance, September 30, 2020 exercisable | 4,766,540 | \$ 1.02 |

The following stock options are outstanding and exercisable as at September 30, 2020:

| | Number of Options Outstanding | Exercise price | Number of Options Exercisable | Expiry date |
|----------------------|-------------------------------------|-------------------|-------------------------------------|------------------|
| Stock Options | 2,269,040 | \$ 1.00 | 2,269,040 | June 30, 2021 |
| | 300,000 | 1.75 | 150,000 | February 1, 2022 |
| | 860,000 | 1.00 | 645,000 | January 26, 2023 |
| | 2,582,500 | 0.75 | 1,353,750 | March 1, 2024 |
| | 75,000 | 1.00 | 37,500 | March 1, 2024 |
| | <u>2,200,000</u> | 1.50 | <u>550,000</u> | June 3, 2025 |
| | <u>8,211,540</u> | | <u>4,930,290</u> | |

During the period ended September 30, 2020, the Company granted Nil (2019 – Nil) stock options. The weighted average fair value of options granted during the period was Nil per share (2019 - \$Nil). Total share-based payments recognized for the period ended September 30, 2020 was \$336,903 (2019 - \$155,070) for incentive options granted and vested. Share-based payments expense of \$234,559 (2019 - \$76,657) was recognized in the statement of loss and comprehensive loss with the balance an expense of \$102,345 (2019 – \$78,413) capitalized to exploration and evaluation assets, which relates to employees and consultants working on the Tuvatu property.

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30, 2020**8. SHARE CAPITAL AND RESERVES (cont'd...)**

d) Warrants

Warrant transactions are summarized as follows:

| | Number of Warrants | Weighted Average Exercise Price | Expiry Date |
|--|-----------------------|---------------------------------------|-----------------|
| Balance, June 30, 2020 | 14,633,750 | \$ 1.20 | June 6, 2021 |
| Issued Tranche 1 August 2020 (Note 8(b)) | 6,760,805 | 2.35 | August 20, 2021 |
| Issued Tranche 2 August 2020 (Note 8(b)) | 4,075,786 | 2.75 | August 20, 2021 |
| Warrants exercised | (6,444,250) | 1.20 | June 6, 2021 |
| Compensation Options (Note 8(e)) | | | |
| Issued | 501,875 | 1.20 | June 6, 2021 |
| Exercised | (358,750) | 1.20 | June 6, 2021 |
| Balance outstanding and exercisable, September 30, 2020 | 19,169,216 | \$ 1.94 | |

On August 25, 2020 the Company announced that it has 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. As of the close of market on August 24, 2020, the Company's common shares have closed at a price higher than \$1.65 for 20 consecutive trading days. As a result, the Company has exercised the acceleration right relating to the Warrants. The expiry date of the outstanding Warrants is being accelerated to October 7, 2020. Any Warrants remaining unexercised after this date will be cancelled and will thereafter be of no force or effect. During the period ended September 30, 2020, the Company received \$7,482,550 from the exercise of 5,577,750 share purchase warrants at exercise price of \$1.20.

e) 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 (Note 8(b)) | 811,968 | 1.70 | August 20, 2022 |
| Issued - Tranche 2 (Note 8(b)) | 491,042 | 2.05 | August 20, 2022 |
| Exercised | (501,875) | 0.80 | June 6, 2021 |
| Balance outstanding and exercisable, September 30, 2020 | 1,404,885 | \$ 1.76 | |

During to period ended September 30, 2020, the Company issued 1,303,009 Compensation Units equal to 6.0% of the aggregate number of Tranche 1 Units and Tranche 2 Units sold under the August 2020 equity offering (Note 8(b)).

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30, 2020**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 period ended September 30:

| | 2020 | 2019 |
|--|------------|------------|
| Payments to key management personnel: | | |
| Cash compensation expensed to management fees, professional fees, investor relations and consulting fees | \$ 142,903 | \$ 151,686 |
| Cash compensation capitalized to exploration and evaluation assets | 65,585 | 87,777 |
| Share-based payments | 125,699 | 76,518 |

During the period ended September 30, 2020, the Company paid \$45,000 (2019 - \$45,000) in rent to Cabrera Capital Corp. ("Cabrera"), a company controlled by a director of the Company. As at September 30, 2020, the Company had a payable of \$38,079 (2019 - \$43,743) due to Cabrera and a lease liability of \$406,633 (2019 - \$547,906) 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, 2020, the Company paid professional services fees of \$8,576 (2019 - \$8,148) to a management services company owned by a director of the Company's subsidiary.

During the period ended September 30, 2020, the Company paid directors' fees of \$5,750 (2019 - \$5,750) to non-executive board members.

As at September 30, 2020, the Company has a payable of \$9,584 (2019 - \$45,204) due to Red Lion Management Ltd., a company controlled by a director of the Company, for expenses incurred on behalf of the Company payable due to related parties are unsecured, non-interest bearing, and are due on demand.

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

10. SEGMENTED INFORMATION

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

| September 30, 2020 | Fiji | Australia | Total |
|-----------------------------------|---------------|------------|---------------|
| Exploration and evaluation assets | \$ 63,130,605 | \$ - | \$ 63,130,605 |
| Other assets | - | 480,825 | 480,825 |
| Property and equipment | 3,597,178 | - | 3,597,178 |
| | \$ 66,727,783 | \$ 480,825 | \$ 67,208,608 |

| June 30, 2020 | Fiji | Australia | Total |
|-----------------------------------|---------------|------------|---------------|
| Exploration and evaluation assets | \$ 61,637,617 | \$ - | \$ 61,637,617 |
| Other assets | - | 480,430 | 480,430 |
| Property and equipment | 3,728,022 | - | 3,728,022 |
| | \$ 65,365,639 | \$ 480,430 | \$ 65,846,069 |

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30, 2020

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cash and cash equivalents, short term investments and restricted cash, are measured at fair value using a level 1 fair value measurement. Receivables, deposits, accounts payable and accrued liabilities and lease obligations 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 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.

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, 2020, the Company had working capital of \$55,638,207.

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.

among these currencies. Management believes the foreign currency risk is low given the low value of monetary assets (liabilities) denominated in foreign currencies.

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

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

September 30, 2020**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

As at September 30, 2020, the Company's net foreign denominated financial assets (liabilities) are as follows:

| | Foreign currency | | Canadian dollar equivalent | |
|-------------------|------------------|-----------|----------------------------|-----------|
| Australian Dollar | \$ | 1,396,464 | \$ | 1,332,925 |
| Fijian Dollar | | 4,193,725 | | 2,600,999 |

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, 2020 | | June 30, 2020 | |
|--|--------------------|-----------|---------------|-----------|
| + 5% | \$ | 196,696 | \$ | 197,751 |
| - 5% | | (196,696) | | (197,751) |

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.

12. 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 \$126,070,461 (June 30, 2020 - \$82,068,334). 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, 2020.

13. SUBSEQUENT EVENTS

Other than disclosed elsewhere, the following occurred subsequent to September 30, 2020:

- The Company received proceeds of \$9,516,900 from the exercise of 7,930,750 share purchase warrants at an exercise price of \$1.20 (Note 8(d)). In addition, the Company received \$997,800 received after the period ended from the exercise of share purchase warrants for which the 866,500 common shares was issued before the period ended.
- The Company issued 30,000 shares and received proceeds of \$30,000 pursuant to the exercise of stock options