

Lion One Metals Limited may significantly extend the expected mine life of its high-grade gold Tuvatu Gold Project in Fiji by securing an exploration tenement which would consolidate the entire Navilawa Caldera. We maintain our Buy rating.



Lion One Metals Limited

TSX – V:
OTCQX:

LIO
LOMOF

Rating:

Buy

Price Target:

C\$1.40

Price (10/13/16):

C\$0.89

52-Week Range:

C\$0.32-1.17

Ave. volume (3 mos.):

40,084

Cash⁽¹⁾:

C\$38.0M

Debt⁽¹⁾:

C\$0.0M

Market Cap:

C\$85.2M

Enterprise Value^(est.):

C\$47.2M

Shares Outstanding:

101.7M

Shares Diluted:

149.1M

4Q16 Rev⁽¹⁾:

C\$0.0M

FY16 Rev⁽¹⁾:

C\$0.0M

Insider Owners

21.0%

Institutional Owners

37.0%

(1) As of June 30, 2016

Stock Performance



Source: Worden

Company Description

Lion One Metals Limited is headquartered in Vancouver, B.C., and its Tuvatu Gold Project is located on the main island of Viti Levu in Fiji.

Tuvatu gold project profile:

Lion One Metals Limited's (TSX VENTURE: LIO, ASX: LLO, OTCQX: LOMOF, "Lion One") 100% owned Tuvatu Gold Project is located only 17 kilometers from the Nadi International Airport, on the main island of Viti Levu, in Fiji. The project is in a caldera setting, along trend with the caldera-situated Vatukoula gold mine, which has produced 7 million ounces of gold in the last 82 years. The Tuvatu Gold Project has an Indicated resource of 1.1 Mt, grading 8.46 g/t, for 299,500 oz of gold; and an Inferred gold resource of 1.1 Mt, grading 9.7 g/t, for 468,000 ounces of gold, at a 3 g/t Au cutoff grade. The PEA assumes modest capital costs and efficient mining of high-grade gold resources, resulting in significant cash flow, which may rapidly repay capital and fund mine development and additional exploration of prospective gold targets.

Summary of recent activities by Lion One:

- Submitted a tender to acquire the expired Navilawa tenement, which would allow exploration of the entire Navilawa Caldera.
- Commenced exploration sampling and trenching of the Jomaki Ridge Prospect (a veinset potentially crosscut by an extension of Tuvatu's UR1 and UR2 Lodes.).
- Marshaled contractors and equipment to dewater and rehabilitate the existing decline, and to commence infill drilling from surface and underground in October and November, respectively.
- Signed a non-binding Memorandum of Understanding (MOU) for an EPC Contract and Vendor Financing Agreement with Ansteel-CapitalAsia Global Engineering Inc. to complete construction through commissioning, and provide project financing of 80% of total costs, estimated to be US\$48.6. million.
- Completed a C\$38.2 million financing to cover the equity requirement for construction and commencement of operations at Tuvatu, and for further resource development and exploration.

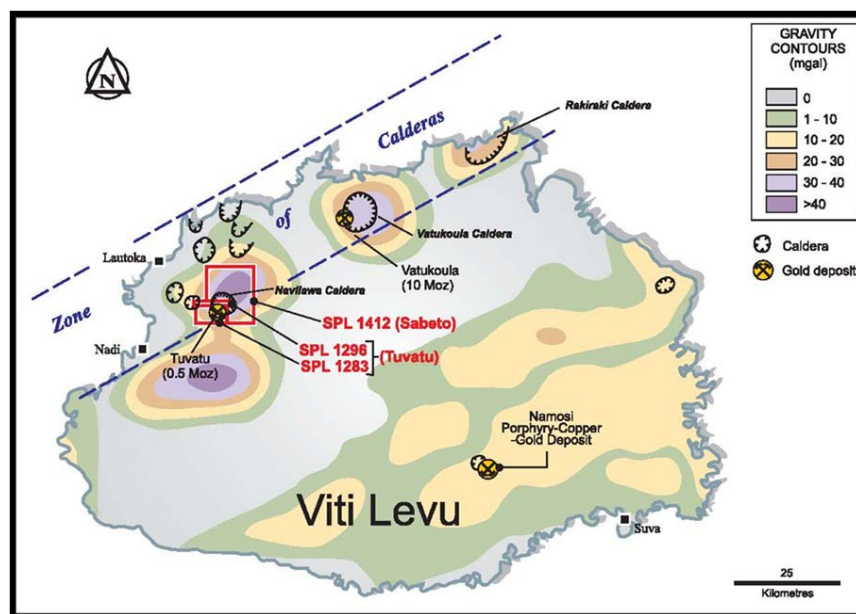
We viewed the nearby Vatukoula mine, with 82 years of gold production, as an analog for Tuvatu. We recognize the potential to double the expected mine life and estimated the value of Lion One at 1.5X the NPV_{5%}. We believe the acquisition of the Navilawa tenement has the potential to extend mine life significantly beyond the forecast mine life. We maintain our Buy rating and price target of C\$1.40 per share.

See Page 9 for analyst certification and important disclosures.

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Investment Thesis: Lion One is Derisking the Tuvatu Gold Project, Possibly Fiji's Next Long-Lived Gold Mine

In our opinion, we believe that Lion One Metals Limited's (TSX VENTURE: LIO, ASX: LLO; OTCQX: LOMOF, "Lion One") Tuvatu Gold Project ("Tuvatu") has the potential to follow Vatukoula as Fiji's next long-lived gold mine. Steps taken by Lion One since we initiated research coverage have significantly reduced risks associated with plans to move quickly into construction, as well as commit to a robust resource development program and potentially secure a generation of gold exploration targets in the Navilawa Caldera.

Location of Lion One's Tuvatu SPL's with the Navilawa Tenement (formerly SPL 1412)

Source: Lion One Metals Limited

Lion One was successful in completing a non-brokered financing during a typically slow summer season amidst volatile markets. This provided critical working capital as well as its likely share of required equity to balance a construction budget and immediately embark on a resource development program at the Tuvatu Gold Project and to prioritize future exploration. Lion One previously announced an MOU with a major Chinese steel company, which they report are anxious to demonstrate their high quality and proficiency for additional potential customers outside China. The MOU is also important as it identifies a potential provider that may complete construction by an earlier date and at a lower cost than competitors. Lastly, the tender to acquire the Navilawa tenement directly north of Lion One's holdings, covering the balance of the Navilawa Caldera, has the potential to supply Lion One with sufficient exploration targets to rival the long-lived Vatakoula gold mine.

Brief Review of the Tuvatu Gold Project

Lion One produced a detailed Preliminary Economic Assessment (PEA) on July 14, 2015, sufficient for Lion One to receive mining project permits and the blessing of the Republic of Fiji's ("Fiji") Prime Minister, Frank Bainimarama, in a public ceremony January 27, 2016. The foundation of the PEA was based on work completed by Emperor Gold, including about 1,341 meters of underground development, 64,893 meters of diamond core drilling (and 9,265 meters of reverse circulation drilling) and significant metallurgical work. Lion One later completed an additional 13,842 meters of diamond core drilling to confirm and expand upon earlier drill results, with additional metallurgical and engineering studies.

The PEA's economic model estimates mining 1,125,548 tonnes, grading 11.3 g/t gold, over 6.2 years, producing a total of 352,931 ounces of gold, or about 57,320 ounces per year. The life of mine capital cost is estimated at \$74.6 million, with pre-production and peak capital expenditures of \$48.6 million and \$55.8 million, respectively. Including royalties, total cash costs are estimated to be US\$200.2 million, or US\$177.86 per tonne of ore, and US\$567.21 per ounce (an all-in cost of about US\$779 per ounce). These cost calculations do not include corporate head office general and administrative costs during operations. At a gold price of US\$1,200 per ounce, on an equity-only basis, the project is expected to have a pre-tax IRR of 67.1%, a pre-tax NPV_{5%} of US\$116.99 million, and a pay-back period of 1.25 years. (On an after-tax basis, the project is forecast to have a IRR of 52.3%, an after-tax NPV_{5%} of US\$86.5, and a payback period of 1.5 years.)

Fijian Miners Breast Stoping at the Vatukoula Mine (15 Level, ~425 meters below surface)
(note near horizontal stope with a height of about one meter, and team of miners utilizing jack leg)



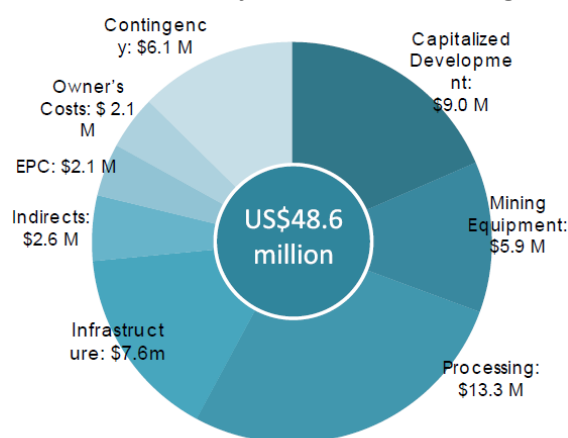
Source: Analyst, May 31, 2016

We believe that Vatukoula is an excellent analog to understand both the potential and quality of the Tuvatu Gold Project. In many respects, we consider Tuvatu to be superior to Vatukoula. The gold mineralization at Vatukoula is refractory (and contained in basalts), requiring additional processes including roasting, while Tuvatu (hosted in a monzonite intrusive) is expected to achieve high recoveries through simple gravity separation, and conventional flotation with separate CIL leaching of float concentrates and tailings. The mineralized veins at Vatukoula are challenged by being at a shallow angle and may only be mined by breast stoping methods, compared to Tuvatu, where the lodes are steeply dipping at a 70° to 80° angle, ideal for mechanized or shrinkage stoping methods.

In addition, the thickness of the mineralized lodes at Vatukoula are thinner than at the Tuvatu Gold Project, typically below the minimum stope width, resulting in a significant amount of waste to be unproductively mined, thereby diluting gold grades. While Tuvatu's lode thickness varies, it averages the minimum stope width and is often quite thicker, minimizing mine dilution. We believe that a mine with Tuvatu's positive characteristics starting near surface, and with modern methods, should have the economic potential to both rapidly repay capital and become Fiji's next long-lived gold mine.

Lion One Derisks and Advances the Tuvatu Gold Project

In August of 2016, Lion One announced the signing of a non-binding Memorandum of Understanding (MOU) for an EPC Contract and Vendor Financing Agreement with Ansteel-CapitalAsia Global Engineering Inc. (“Ansteel”) covering a comprehensive Engineering, Procurement, Construction (EPC), and a financing package for the Tuvatu Gold Project. Ansteel has agreed to provide “design, construction, start-up testing, and commissioning of the Tuvatu gold processing plant” and to “furnish all materials, equipment, machinery, tools and consumables, provide quality control and administration, and will develop the Project Health and Safety Plan at the Project Site.” In addition, Ansteel, through its financing subsidiary, has agreed to provide up to US\$44.0 million construction financing (with Lion One balancing the construction budget with a minimum of US\$10.0 million) or about 80% of total project costs including contingency of US\$48.6 million.

Tuvatu Gold Project Construction Budget

Source: Lion One Metals Limited Corporate Presentation, October 2016

Lion One management appears to be confident of Ansteel’s ability to compete on quality, cost and timing. They report that Ansteel is China’s “largest iron ore miner and third largest steel maker,” and “was ranked number 451 on Fortune’s Global 500 List.” Lion One management told us that Ansteel is working with China’s gold institute to demonstrate their ability to market and deliver gold mining infrastructure meeting world quality standards. As projects vary, we view the scale of the Tuvatu gold processing plant to be at the modest to lower risk level of complexity. Certainly, Lion One is on guard to inspect and accept materials and equipment meeting detailed plans and specs. Lion One is proceeding “to preparing definitive binding agreements for the transactions contemplated by the MOU, and are targeting completing the transaction in the fourth quarter of [calendar] 2016,” though we expect them to proceed methodically to ensure that contract agreements, plans and specs are aligned and understood.

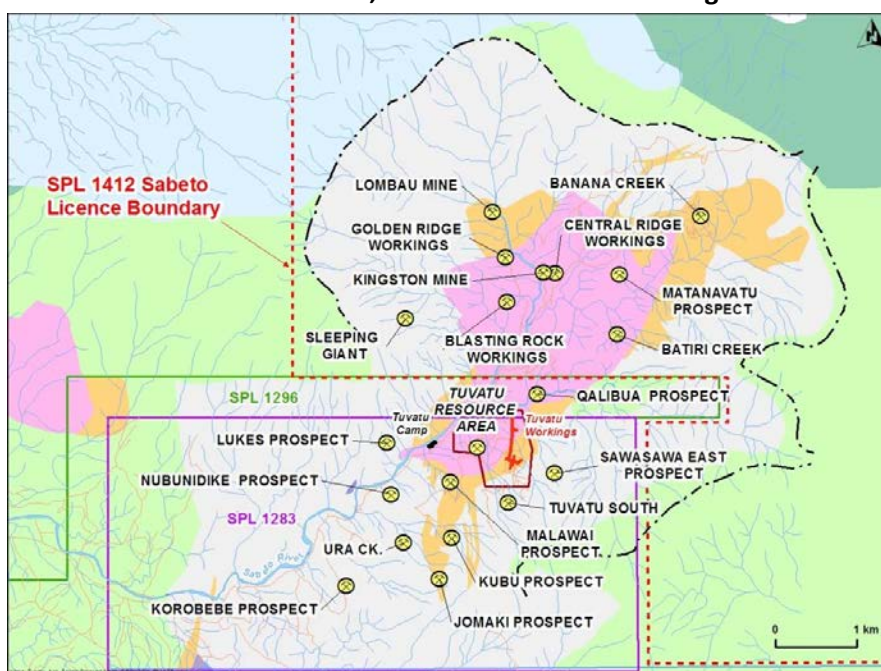
In September of 2016, Lion One reported that it had completed a private placement issuing 41,536,436 units at a price of C\$0.92 per unit, for gross proceeds of C\$38,213,521. The proceeds appear more than adequate for Lion One to meet its minimum US\$10.0 million equity requirement to balance the construction budget, with funds remaining for pursuing project development, including infill drilling, dewatering and rehabilitating the existing decline. (Lion One also reported that exercising of outstanding warrants could provide up to C\$56.0 million.) Funds will also allow Lion One to pursue a growing list of exploration targets and potentially the Navilawa tenement. These activities, including selection of a potentially world-class mine builder, and securing debt and equity financing, appear to have significantly reduced project risk and potentially accelerated the timeline to production.

Lion One Exploration and Tender for the Navilawa Tenement (formerly SPL 1412)

Lion One is proceeding with trenching and sampling of its Jomaki Ridge Prospect on their SPL 1283, located about 1.5 km southwest of the Tuvatu Gold Project. Lion One has already sent 183 samples for analysis, and expects results by late October. The prospect is “pervasively altered and densely veined zone situated between the contact of volcanic units and the micro-monzonite intrusive,” in a NE-SW veinset, crosscut with N-S veins which “are thought to be extensions of the UR1 and UR 2 Lodes already recognized at Tuvatu.” They report that “visible gold has been detected at the surface and in some recently dug trenches.” Initial rock chip samples have returned results of up to 125 g/t gold. The Jomaki Ridge Prospect appears to be a high priority due to its potential structural and lithological relationship to mineralization to the Tuvatu Gold Project; cross-cut features suggest potentially multiple phases of mineralization and visible gold at surface with rock chips returning high grades of gold. Lion One has been very successful at the Tuvatu Gold Project using trenching to correlate drill results in complex vein systems.

Navilawa Mineral Complex

(Note Navilawa tenement - SPL 1412, north of Lion One’s existing Tuvatu Gold Project)



Source: Lion One Metals Limited Corporate Presentation, October 2016

The Navilawa tenement, when combined with current holdings, would consolidate concessions within the Navilawa Caldera to a total of 300 km² (or 115.8 square miles) with a 5.5 km mineralized trend from the Jomaki Ridge Prospect to Banana Creek. Lion One has submitted a tender for the Navilawa tenement which includes C\$15.0 million of initial exploration expenditures proposed over five years. Lion One management told us that the program is “back-end loaded,” which we expect may dovetail with higher and more consistent cash flow potentially generated at the Tuvatu Gold Project. The Navilawa tenement includes 10 well defined projects including the Kingston Mine (with rock chip samples grading 176.27 g/t gold), Banana Creek (with rock chip samples grading 46.3 g/t gold) and Tuvatu North (with rock chip samples grading 8.5 g/t gold and in close proximity to the Tuvatu Gold Project). The area has not been systematically explored but “six of the prospects have historic workings with short shafts or adits up to 15 meters deep or manual workings on copper and gold bearing rocks, as is the case at the Central Ridge prospect.” Lion One anticipates a decision by Fiji’s Mineral Resources Department (MRD) on its tender proposal before the end of October 2016.

Concluding Comments

We see the steps taken by Lion One management since we initiated research coverage to have significantly derisked the Tuvatu Gold Project. Lion One has lined up a potentially first-class mine builder with construction debt financing. They have also completed an equity financing at a higher stock price, providing more funds with less shareholder dilution than we had anticipated. This substantially reduces uncertainties as to how and when the project may be constructed and financed with less exposure to metal and capital markets. The completion of the financing also provides Lion One with additional operating flexibility to pursue project development and exploration priorities as detailed plans and contracts are concluded.

We are particularly interested in Lion One's tender to acquire the Navilawa tenement. In our opinion, the addition of the Navilawa would complete our comparison of Tuvatu Gold Project relative to the Vatukoula gold mine, which has operated for about 82 years. While it is not certain that Fiji's MRD will decide in favor of Lion One, it appears likely to us given our favorable impressions of Lion One's management team and employees, their apparently positive reputation with the Fijian government and a sensible consolidation of the exploration activities in the Navilawa Caldera. Though the Navilawa tenement is not essential to support our investment thesis or price target and rating, as there is substantial expansion potential between the Tuvatu Gold Project and the Jomaki Ridge Prospect, the consolidation of the Navilawa Caldera potentially represents significant long-term upside for Lion One shareholders. We retain our Buy rating and price target of C\$1.40 per share.

**Analyst at Tuvatu "Standing Stone," Tuvatu Gold Project
(note brow of Sleeping Giant formation, northern side of caldera, upper right)**



Source: Analyst, May 30, 2016

Lion One Metals Limited

Balance Sheet

June 30, 2016

(in Canadian dollars)

| | 4Q11 6/30/11 | 4Q12 6/30/12 | 4Q13 6/30/13 | 4Q14 6/30/14 | 4Q15 6/30/15 | 1Q16 9/30/15 | 2Q16 12/31/15 | 3Q16 3/31/16 | 4Q16 6/30/16 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| ASSETS | | | | | | | | | |
| Current | | | | | | | | | |
| Cash | \$ 20,829,922 | \$ 15,971,997 | \$ 13,576,266 | \$ 8,040,357 | \$ 4,144,571 | \$ 1,556,777 | \$ 553,580 | \$ 241,150 | \$ 62,154 |
| HST and VAT recoverable | 349,362 | 429,418 | | | | | | | |
| Due from related parties | 112,528 | - | | | | | | | |
| Receivables | 97,626 | 29,410 | 283,864 | 130,793 | 34,767 | 46,491 | 96,642 | 81,124 | 27,877 |
| Prepaid expenses | 13,612 | 16,256 | 32,610 | 35,894 | 12,615 | 21,929 | 9,823 | 7,914 | 10,502 |
| Deposits | 58,426 | 31,093 | | | | | | | |
| Current Assets | 21,461,476 | 16,478,174 | 13,892,740 | 8,206,544 | 4,191,953 | 1,625,197 | 660,045 | 330,188 | 100,533 |
| Restricted cash | 75,000 | 75,000 | 103,908 | 105,189 | 103,911 | 103,206 | 105,249 | 29,868 | 28,905 |
| Exploration advances and deposits | 23,193 | - | 111,250 | 91,193 | 62,854 | 1,710,557 | 1,806,715 | 1,932,501 | 1,928,230 |
| Exploration and evaluation assets | 135,528 | 681,237 | 31,686,823 | 33,142,838 | 36,069,453 | 37,167,657 | 39,468,218 | 38,835,612 | 38,622,183 |
| Property and equipment | 21,667,700 | 24,861,722 | 728,104 | 718,972 | 670,905 | 646,048 | 643,093 | 588,463 | 555,768 |
| Total Assets | \$ 43,362,897 | \$ 42,096,133 | \$ 46,522,825 | \$ 42,264,736 | \$ 41,099,076 | \$ 41,252,665 | \$ 42,683,320 | \$ 41,716,632 | \$ 41,235,619 |
| LIABILITIES | | | | | | | | | |
| Current | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 209,646 | \$ 129,324 | \$ 803,383 | \$ 373,657 | \$ 258,569 | \$ 375,249 | \$ 325,408 | \$ 206,065 | \$ 257,714 |
| Accounts payable, due to related parties | - | 14,358 | | | 54,920 | | | 521,664 | 945,377 |
| Current Liabilities | 209,646 | 143,682 | 803,383 | 373,657 | 313,489 | 375,249 | 325,408 | 727,729 | 1,203,091 |
| Long-term provisions | | | | | | | | | |
| | 209,646 | 143,682 | 837,131 | 414,891 | 342,747 | 404,608 | 357,761 | 760,531 | 1,235,664 |
| Shareholder equity | 43,153,251 | 41,952,451 | 45,685,694 | 41,849,845 | 40,756,329 | 40,848,057 | 42,325,559 | 40,956,101 | 39,999,955 |
| Total Liabilities and Equity | \$ 43,362,897 | \$ 42,096,133 | \$ 46,522,825 | \$ 42,264,736 | \$ 41,099,076 | \$ 41,252,665 | \$ 42,683,320 | \$ 41,716,632 | \$ 41,235,619 |

Source: Lion One Metals Limited

Lion One Metals Limited

Income Statement

June 30, 2016

(in Canadian dollars)

| | 2011 6/30/11 | 2012 6/30/12 | 2013 6/30/13 | 2014 6/30/14 | 2015 6/30/15 | 1Q16 9/30/15 | 2Q16 12/31/15 | 3Q16 3/31/16 | 4Q16 6/30/16 | 2016 6/30/16 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------|---------------------|-----------------------|-----------------------|-----------------------|
| EXPENSES | | | | | | | | | | |
| Consulting fees | \$ 187,462 | \$ 234,800 | \$ 188,861 | \$ 129,375 | \$ 135,103 | \$ 33,750 | \$ 32,000 | \$ 27,875 | \$ 16,500 | \$ 110,125 |
| Depreciation | | | 350 | 10,516 | 4,618 | 352 | 257 | 253 | 162 | 1,024 |
| Directors fees | | | - | 14,125 | 24,000 | 6,000 | 6,000 | 4,000 | 4,000 | 20,000 |
| Foreign exchange (gain) loss | (74,586) | 38,649 | (2,272) | 5,377 | (2,511) | (126) | 658 | 869 | 819 | 2,220 |
| Licenses, dues and fees | 8,447 | 39,509 | 87,367 | 39,761 | 37,600 | 13,085 | 5,230 | 7,020 | 12,535 | 37,870 |
| Investor relations | 269,857 | 366,636 | 364,872 | 221,516 | 197,182 | 102,254 | 42,542 | 33,303 | 30,484 | 208,583 |
| Management fees | 455,622 | 993,177 | 244,186 | 246,258 | 155,284 | 20,966 | 30,730 | 29,116 | 28,276 | 109,088 |
| Office and administrative | 33,975 | 63,562 | 341,979 | 390,409 | 408,777 | 82,112 | 89,891 | 94,754 | 80,539 | 347,296 |
| Professional fees | 111,809 | 109,044 | 368,258 | 218,509 | 295,959 | 92,964 | 35,598 | 44,979 | 54,524 | 228,065 |
| Property costs | | | - | 23,173 | 60,695 | 1,985 | 13 | 25 | (3) | 2,020 |
| Rent | 72,829 | 180,063 | 180,000 | 250,595 | 286,606 | 47,367 | 47,969 | 46,641 | 47,168 | 189,145 |
| Shareholder communication | 35,645 | 59,883 | 213,452 | 178,206 | 148,767 | 38,351 | 59,423 | 25,328 | 15,736 | 138,838 |
| Share-based payments | 1,176,120 | 1,228,042 | 403,622 | 185,700 | 228,403 | 8,754 | 23,400 | 18,897 | 169,362 | 220,413 |
| Travel | 216,661 | 141,283 | 52,797 | 45,213 | 78,043 | 1,333 | 2,429 | 22,307 | 20,748 | 46,817 |
| Operating loss | (2,493,841) | (3,454,648) | (2,443,472) | (1,958,733) | (2,058,526) | (449,147) | (376,140) | (355,367) | (480,850) | (1,661,504) |
| OTHER INCOME | | | | | | | | | | |
| Listing fee | (6,104,347) | | | | | | | | | |
| Interest income | 90,702 | 233,956 | 182,074 | 153,401 | 72,041 | 4,552 | 2,356 | 51,242 | 14,648 | 72,798 |
| Write down | | | | (3,138,387) | | | | | (771,648) | (771,648) |
| Settlement | | | | (283,394) | | | | | | |
| Net loss for the period | (8,507,486) | (3,220,692) | (2,261,398) | (5,227,113) | (1,986,485) | (444,595) | (373,784) | (304,125) | (1,237,850) | (2,360,354) |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | | | | | |
| Foreign exchange gain (loss) | 616,214 | 316,044 | (76,892) | 1,220,167 | 608,904 | 520,858 | 1,821,607 | (1,090,510) | 95,200 | 1,347,155 |
| Comprehensive income (loss) | \$ (7,891,272) | \$ (2,904,648) | \$ (2,338,290) | \$ (4,006,946) | \$ (1,377,581) | \$ 76,263 | \$ 1,447,823 | \$ (1,394,635) | \$ (1,142,650) | \$ (1,013,199) |
| Basic and diluted loss per common share | (0.28) | (0.07) | (0.05) | (0.09) | (0.03) | (0.01) | (0.01) | (0.01) | (0.02) | (0.04) |
| Weighted average number of common shares | 30,331,755 | 48,663,656 | 49,307,202 | 60,173,408 | 60,175,608 | 60,175,608 | 60,175,608 | 60,175,608 | 60,175,608 | 60,175,608 |

Source: Lion One Metals Limited



Disclosure Appendix

AUTHOR CERTIFICATION

R. Michael Niehuser, the author primarily responsible for this report certifies, with respect to each security or issuer in this report, that: (1) all of the views expressed in this report accurately reflect his own personal views about the subject companies and their securities; (2) part of the author's compensation may be, directly or indirectly, related to a portion of the commissions generated by Scarsdale Equities LLC ["SE"] in transactions in this or other securities designated for the author's credit; (3) the author does not receive compensation based on investment banking or advisory services SE might provide to this or any other issuer.

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Fundamental Analysis. The research provided in this report is based on "fundamental analysis". The investments discussed in this report in some cases will not be suitable for all investors. Investors should use this report as only one input in formulating an investment opinion. Additional inputs should include, but are not limited to, the review of other research generated by a review of regulatory filings, other available news items, and other analyses that may influence the merits of the securities of the issuers discussed.

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Covered companies from which Scarsdale Equities LLC has received investment banking compensation within the previous twelve months or from which it expects to receive compensation within three months:

Scarsdale Equities LLC Fundamental Analysis Coverage Universe

| (as of 10/13/2016) | Count | Percent | Investment Banking Relationships | Count | Percent |
|--------------------|-------|---------|----------------------------------|-------|---------|
| Buy | 7 | 100% | Buy | 7 | 100% |
| Neutral | 0 | 0% | Neutral | 0 | 0% |
| Sell | 0 | 0% | Sell | 0 | 0% |

Buy: Expected to outperform broad market averages by at least 15%.

Neutral: Expected to perform in line with broad market averages.

Sell: Expected to underperform broad market averages by at least 15%.

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All applicable current disclosures on the items referred to in this report are obtainable by contacting Michael Niehuser at (503)307-3188. The following disclosures apply to the securities discussed in this research report:

¹ Scarsdale Equities LLC, at the time of publication, does not make a market in any security.

² The author does not have a financial interest in Lion One Metals Limited (LIO.V) covered in this report.

³ Part of the author's compensation may consist of a portion of the commissions generated by transactions in this issuer's securities placed at Scarsdale Equities LLC for the credit of the author.

⁴ Scarsdale Equities LLC expects to receive advisory or investment banking compensation from the issuer in the next ninety days.

PRICE TARGET METHODOLOGY AND RISKS

We believe that the best approach to complete a valuation analysis on Lion One is to utilize the PEA and build upon it. The PEA was completed on an equity-only basis, which implies the potential to increase returns by increasing leverage by adding debt. This would increase financial risk by actually delaying the repayment of capital. The PEA was completed at a gold price of US\$1,200, and we suspect costs have not varied beyond the PEA's level of confidence of about 35%. We believe that the PEA's NPV is a good starting point for assigning value to Lion One, though investors would be right to assign a discount or premium to this based on their perspective of future gold prices and the relative risks of constructing and operating a mine in Fiji. We also believe a premium is warranted for the potential of acquiring the Navilawa tenement to the north of the Tuvatu Gold Project, their interest in an iron ore project in Australia, and the quality of their employees in Fiji.

The Tuvatu Gold Project includes a narrow-vein, high-grade epithermal gold deposit. It is challenging and expensive to fully delineate gold resources in these types of deposits. They have a favorable reputation for additional discoveries, and long lives and may later be curtailed by lower gold prices relative to the cost of increasing development costs. Clearly, this is the reason for our referring to Vatukoula as an analog, due to its 82-year history, 7 million ounces of gold production and remaining resources. For many reasons, as discussed in this report, we believe that Tuvatu Gold Project has a more attractive gold deposit. As Vatukoula has not fully been explored in its host caldera, the Navilawa Caldera is early in its exploration, with at least three documented prospects at surface on SML62, with potential on the balance of its special prospecting licenses. There is also potential for Lion One to add Navilawa tenement, which has a larger area within Navilawa Caldera, including areas with a monzonite intrusive. As resource at the Tuvatu Gold Project is open laterally and at depth, and Lion One management is optimistic for establishing resources on the balance of its leases and the potential of acquiring the Navilawa tenement, we believe looking to Vatukoula as an analog is valid.

The PEA's assessment of Tuvatu Gold Project is based on a modest size gold resource proposing a modest scale operation. The PEA notes the potential to operate and expand to higher levels of production and cites several opportunities to improve economics by reducing power, reducing costs, and improving metallurgical results with experience. We have accepted the PEA's assumptions, but speculated on a potential NPV at a discount rate of 5% if the mine life doubled, maintaining ongoing exploration, mine development and costs related to the tailings dam and closure. Based on our calculations, this would imply an NPV at a discount rate of 5% of about US\$304.2 million, or C\$404.3 million (adjusted for a Canadian/U.S. exchange rate of 1.329:1). This speculative assessment is useful to recognize the potential of Tuvatu Gold Project if the mine life could be doubled.

We believe that Tuvatu could be reasonably valued, upon financing, at a premium of at least 1.5 times the PEA's after-tax NPV_{5%} of US\$86.5 million, to be US\$130.0 million, or C\$172.7 million. Valuing the Tuvatu Gold Project at C\$172.7 with 101.7 million shares outstanding (compared to our earlier forecast of 128.0 million shares), this might suggest a target price of about C\$1.70 per share once financing is secured and construction commences. While the actual course of financing is not fully settled, we believe our methodology is reasonable, and the prospects for Lion One completing financing at the current level of development under present market conditions to be good.

There are a large number of easily identifiable and unforeseen risks encountered with investing in resource companies. We have addressed many of the risks which might be identified in the text of the Introductory Report (dated June 22, 2016) and highlighted a number of risks specific to Lion One and the Tuvatu Gold Project in the "Risks and Mitigations" section of that report. The highlighted risks include political, geological, economic, commodity prices and financial risk.

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