

Lion One Metals Limited enters into a term sheet including an EPC and a US\$40 million off-take financing facility for mine development and construction of a processing facility at the Tuvatu Gold Project in Fiji. We maintain our Buy rating.

Tuvatu gold project profile:

Lion One Metals Limited's (TSX VENTURE: LIO, ASX: LLO, OTCQX: LOMLF, "Lion One") 100% owned permitted Tuvatu Gold Project is located only 17 km from the Nadi International Airport, on the main island of Viti Levu, in Fiji. The project is in a caldera setting, on trend with the caldera-situated Vatukoula gold mine, which has produced 7 million oz 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 1.5 Mt, grading 9.7 g/t, for 468,000 oz of gold, at a 3 g/t Au cutoff grade. The PEA assumed 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 the gold doré off-take financing facility:

- A US\$40 million gold doré off-take facility, with the option to increase the facility by US\$10 million at the same terms, plus a US\$10 million unsecured facility.
- The facility has a 5 year term, at an interest rate of 7.5%, with capitalized interest for the first 2 years, after which the balance will be repaid in quarterly payments over the remaining 3 years.
- A Net Smelter Return (NSR) royalty of 2.5% on the first 350,000 ounces of gold. (The PEA estimates production of 352,931 ounces over 7 years.)

Lion One entered into the term sheet with Sinosteel Equipment & Engineering Co., Ltd., the EPC, and Baiyin International Investment Ltd., providing the gold financing facility. This follows over 6 months of negotiations and due diligence as the project has been optimized. Final documentation is expected to be concluded in the third quarter of 2018. We expect that Lion One will announce an updated capital cost budget that should be within expected variances of the PEA. It appears that the facility should be adequate to cover the construction and capital costs with cash on hand. The terms appear to be competitive and do not include hedging or prepayment fees. Lion One continues exploration activities for which we believe could be a long-lived

mine. We maintain our Buy rating and price t



Lion One Metals Limited

TSX – V:
OTCQX:

LIO
LOMLF

June 6, 2018

| | |
|-------------------------------------|--------------|
| Rating: | Buy |
| Price Target: | C\$1.40 |
| Price (6/5/18): | C\$0.61 |
| 52-Week Range: | C\$0.45-0.79 |
| Ave. volume (3 mos.): | 39,409 |
| Cash ⁽¹⁾ : | C\$21.6M |
| Debt ⁽¹⁾ : | C\$0.0M |
| Market Cap: | C\$62.2M |
| Enterprise Value ^(est) : | C\$40.6M |
| Shares Outstanding: | 101.9M |
| Shares Diluted: | 109.3M |
| 3Q18 Rev ⁽¹⁾ : | C\$0.0M |
| FY17 Rev ⁽¹⁾ : | C\$0.0M |
| Insider Owners | 21.0% |
| Institutional Owners | 35.9% |

(1) As of March 31, 2018

Stock Performance



Source: Worden

Company Description

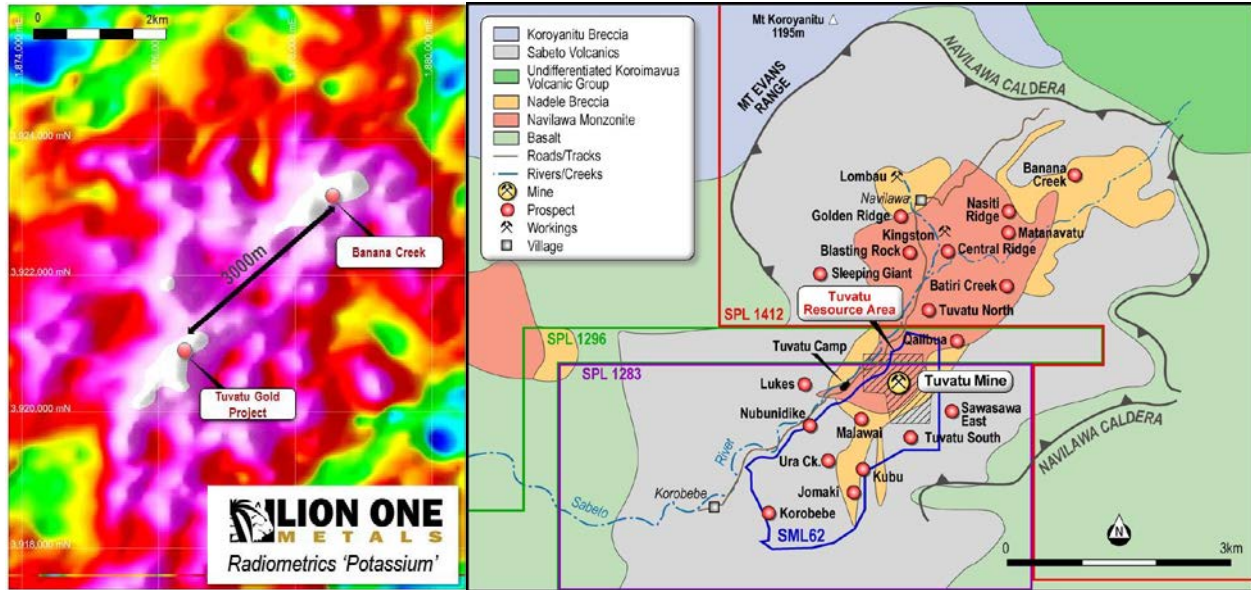
Lion One Metals Limited is headquartered in Vancouver, B.C., and its Tuvatu Gold Project is located on the main island of Viti Levu in Fiji.

See Page 7 for analyst certification and important disclosures.

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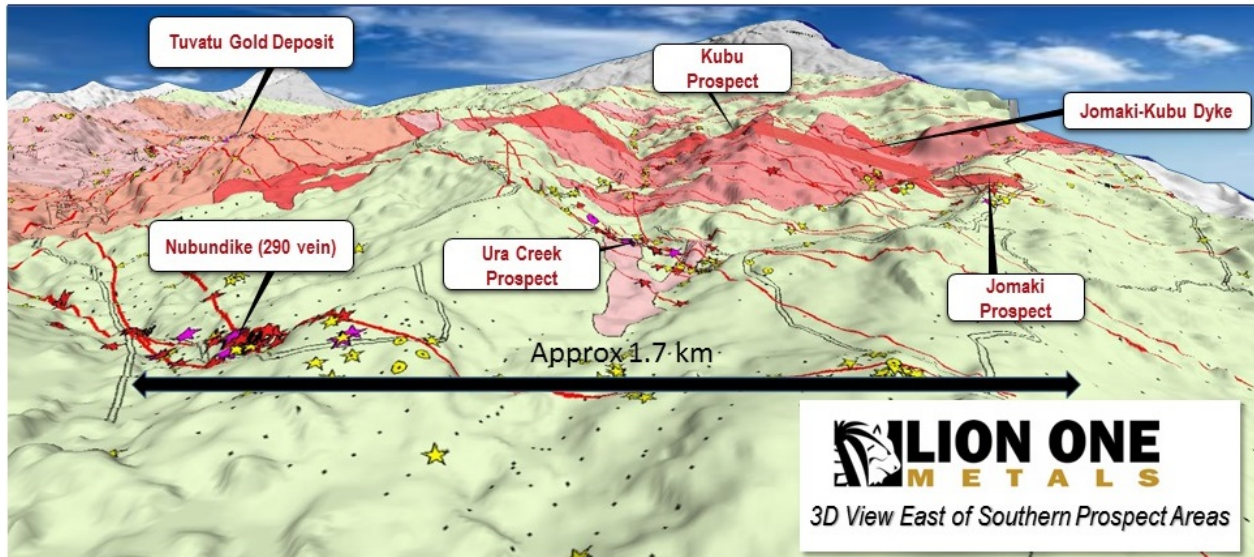
Hydrothermal Alteration within the Navilawa Caldera

The geothermal survey expresses a hydrothermal alteration extending 3 kilometer from Tuvatu NNE onto SPL 1412. Lion One is focusing on a potential 1.7 kilometer trend to the SSE on SML 62 potentially extending from Tuvatu to the Jomaki Prospect.



Source: Lion One Metals

3D View of East of Southern Prospect Areas

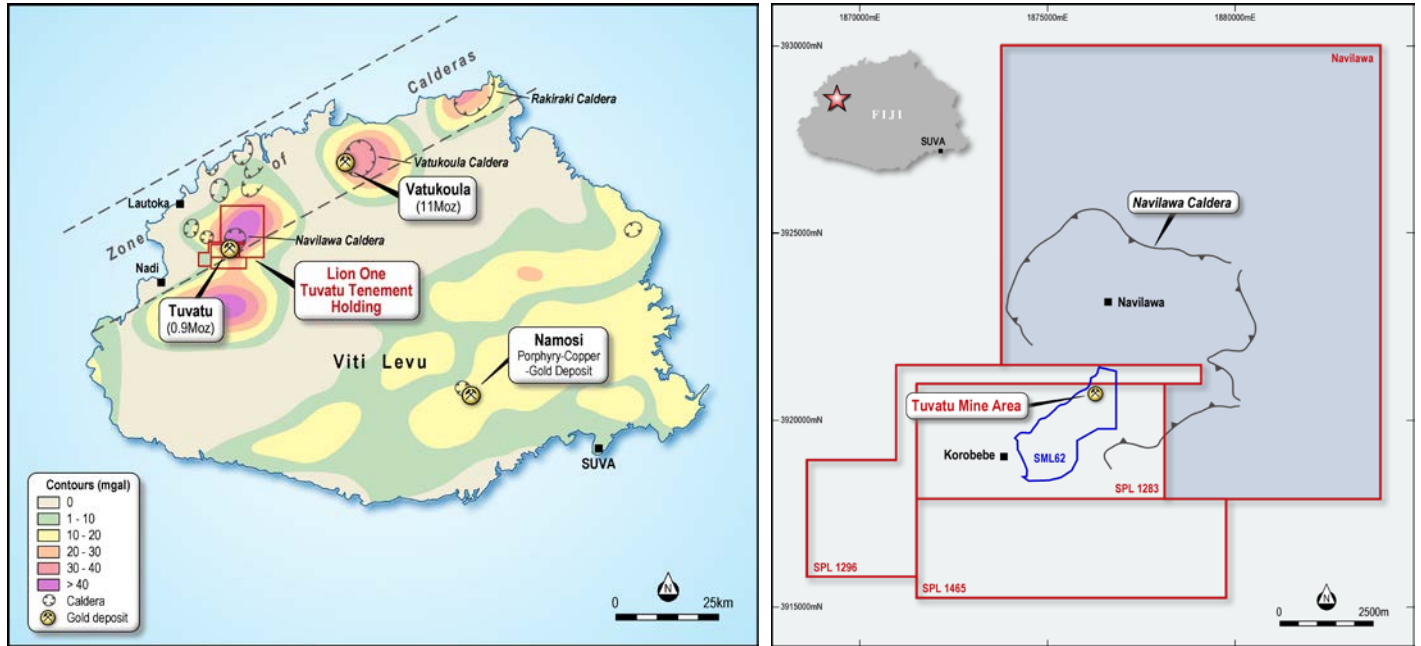


Source: Lion One Metals

The initial exploration program in 2018 will focus on the extensions of the main mineralized zone of the Tuvatu gold deposit and their relationship to the prospects at Ura Creek, Kubu and Jomaki. These priority targets are located about one to two kilometers from the proposed mill site at Tuvatu. We believe that the potential extension of Tuvatu to the SSW on the Special Mining Lease may present the preferred target for expanding the gold resource in the near-term.

Tuvatu Gold Project Location on the Island of Viti Levu, Fiji

It is notable that the Tuvatu Mine area is located along trend with the Vatukoula gold mine. In addition, the mining license (SML 62) covers only a fraction of the area contained within the Special Prospecting License areas (SPL 1283, SPL 1296, 1465 and SPL 1412).



Source: Lion One Metals

Lion One Metals Limited

Balance Sheet

March 31, 2018

(in Canadian dollars)

| | 2011FYE 6/30/11 | 2012FYE 6/30/12 | 2013FYE 6/30/13 | 2014FYE 6/30/14 | 2015FYE 6/30/15 | 2016FYE 6/30/16 | 2017FYE 6/30/17 | 1Q18 9/30/17 | 2Q18 12/31/2017 | 3Q18 3/31/2018 |
|------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| ASSETS | | | | | | | | | | |
| Current | | | | | | | | | | |
| Cash | \$ 20,829,922 | \$ 15,971,997 | \$ 13,576,266 | \$ 8,040,357 | \$ 4,144,571 | \$ 62,154 | \$ 28,285,323 | \$ 25,834,094 | \$ 24,016,238 | \$ 21,633,605 |
| 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 | 27,877 | 229,251 | 328,652 | 363,615 | 446,410 |
| Prepaid expenses | 13,612 | 16,256 | 32,610 | 35,894 | 12,615 | 10,502 | 15,748 | 54,265 | 46,304 | 136,829 |
| Deposits | 58,426 | 31,093 | - | - | - | - | - | - | - | - |
| Current Assets | 21,461,476 | 16,478,174 | 13,892,740 | 8,206,544 | 4,191,953 | 100,533 | 28,530,322 | 26,217,011 | 24,426,157 | 22,216,844 |
| Restricted cash | 75,000 | 75,000 | 103,908 | 105,189 | 103,911 | 28,905 | 29,904 | 29,349 | 29,403 | 29,673 |
| Exploration advances and deposits | 23,193 | - | 111,250 | 91,193 | 62,854 | 1,928,230 | 1,940,843 | 1,881,084 | 1,880,034 | 1,924,062 |
| Explorator and evaluation assets | 135,528 | 681,237 | 31,686,823 | 33,142,838 | 36,069,453 | 38,622,183 | 44,959,283 | 45,600,897 | 46,791,113 | 49,361,410 |
| Property and equipment | 21,667,700 | 24,861,722 | 728,104 | 718,972 | 670,905 | 555,768 | 767,607 | 784,172 | 858,509 | 1,063,881 |
| Total Assets | \$ 43,362,897 | \$ 42,096,133 | \$ 46,522,825 | \$ 42,264,736 | \$ 41,099,076 | \$ 41,235,619 | \$ 76,227,959 | \$ 74,512,513 | \$ 73,985,216 | \$ 74,595,870 |
| LIABILITIES | | | | | | | | | | |
| Current | | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 209,646 | \$ 129,324 | \$ 803,383 | \$ 373,657 | \$ 258,569 | \$ 257,714 | \$ 713,366 | \$ 557,838 | \$ 552,651 | \$ 502,706 |
| Accounts payable, due to related parties | - | 14,358 | - | - | 54,920 | 945,377 | 56,847 | 78,862 | 85,080 | 70,074 |
| Current Liabilities | 209,646 | 143,682 | 803,383 | 373,657 | 313,489 | 1,203,091 | 770,213 | 636,700 | 637,731 | 572,780 |
| Long-term provisions | - | - | 33,748 | 41,234 | 29,259 | 32,573 | 37,128 | 37,280 | 38,192 | 39,393 |
| | 209,646 | 143,682 | 837,131 | 414,891 | 342,747 | 1,235,664 | 807,341 | 673,980 | 675,923 | 612,173 |
| Shareholder equity | 43,153,251 | 41,952,451 | 45,685,694 | 41,849,845 | 40,756,329 | 39,999,955 | 75,420,618 | 73,838,533 | 73,309,293 | 73,983,697 |
| Total Liabilities and Equity | \$ 43,362,897 | \$ 42,096,133 | \$ 46,522,825 | \$ 42,264,736 | \$ 41,099,076 | \$ 41,235,619 | \$ 76,227,959 | \$ 74,512,513 | \$ 73,985,216 | \$ 74,595,870 |

Source: Lion One Metals Limited

Lion One Metals Limited

Income Statement

March 31, 2018

(in Canadian dollars)

| | 2011FYE 6/30/11 | 2012FYE 6/30/12 | 2013FYE 6/30/13 | 2014FYE 6/30/14 | 2015FYE 6/30/15 | 2016FYE 6/30/16 | 2017FYE 6/30/17 | 1Q18 9/30/17 | 2Q18 12/31/17 | 3Q18 3/31/18 |
|-----------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|-------------------|
| EXPENSES | | | | | | | | | | |
| Consulting fees | \$ 187,462 | \$ 234,800 | \$ 188,861 | \$ 129,375 | \$ 135,103 | \$ 110,125 | \$ 72,750 | \$ 21,500 | \$ 11,250 | \$ 11,250 |
| Depreciation | - | - | 350 | 10,516 | 4,618 | 1,024 | 598 | - | - | - |
| Directors fees | - | - | - | 14,125 | 24,000 | 20,000 | 17,750 | 5,750 | 5,750 | 5,750 |
| Foreign exchange (gain) loss | (74,586) | 38,649 | (2,272) | 5,377 | (2,511) | 2,220 | 110,088 | 158,522 | (21,118) | (110,864) |
| Licenses, dues and fees | 8,447 | 39,509 | 87,367 | 39,761 | 37,600 | 37,870 | 37,330 | 13,620 | 8,008 | 10,949 |
| Investor relations | 269,857 | 366,636 | 364,872 | 221,516 | 197,182 | 208,583 | 175,376 | 42,681 | 63,737 | 207,777 |
| Management fees | 455,622 | 993,177 | 244,186 | 246,258 | 155,284 | 109,088 | 215,869 | 64,644 | 78,584 | 66,847 |
| Office and administrative | 33,975 | 63,562 | 341,979 | 390,409 | 408,777 | 347,296 | 391,170 | 104,802 | 76,524 | 104,548 |
| Professional fees | 111,809 | 109,044 | 368,258 | 218,509 | 295,959 | 228,065 | 185,476 | 48,454 | 98,242 | 242,173 |
| Property costs | - | - | - | 23,173 | 60,695 | 2,020 | - | - | - | - |
| Rent | 72,829 | 180,063 | 180,000 | 250,595 | 286,606 | 189,145 | 188,379 | 45,000 | 45,000 | 60,348 |
| Shareholder communication | 35,645 | 59,883 | 213,452 | 178,206 | 148,767 | 138,838 | 163,539 | 51,332 | 78,547 | 31,345 |
| Share-based payments | 1,176,120 | 1,228,042 | 403,622 | 185,700 | 228,403 | 220,413 | 1,036,191 | 100,156 | 116,190 | 183,269 |
| Travel | 216,661 | 141,283 | 52,797 | 45,213 | 78,043 | 46,817 | 92,295 | 8,710 | 47,184 | 11,068 |
| Operating loss | (2,493,841) | (3,454,648) | (2,443,472) | (1,958,733) | (2,058,526) | (1,661,504) | (2,686,811) | (665,171) | (607,898) | (824,460) |
| OTHER INCOME | | | | | | | | | | |
| Listing fee | (6,104,347) | - | - | - | - | - | - | - | - | - |
| Interest income | 90,702 | 233,956 | 182,074 | 153,401 | 72,041 | 72,798 | 279,567 | 86,438 | 93,551 | 96,761 |
| Write down | - | - | - | (3,138,387) | - | (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) | (2,360,354) | (2,407,244) | (578,733) | (514,347) | (727,699) |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | | | | | |
| Foreign exchange gain (loss) | 616,214 | 316,044 | (76,892) | 1,220,167 | 608,904 | 1,347,155 | 120,075 | (1,202,561) | (209,139) | 1,026,177 |
| Comprehensive income (loss) | \$ (7,891,272) | \$ (2,904,648) | \$ (2,338,290) | \$ (4,006,946) | \$ (1,377,581) | \$ (1,013,199) | \$ (2,287,169) | \$ (1,781,294) | \$ (723,486) | \$ 298,478 |
| Basic and diluted loss per common share | (0.28) | (0.07) | (0.05) | (0.09) | (0.03) | (0.04) | (0.03) | (0.01) | (0.01) | (0.01) |
| Weighted average numbe of common shares outstanding | 30,331,755 | 48,663,656 | 49,307,202 | 60,173,408 | 60,175,608 | 60,175,608 | 92,843,545 | 101,729,870 | 101,722,044 | 101,922,044 |

Source: Lion One Metals Limited



(source: stockwatch.com)

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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Scarsdale Equities LLC Fundamental Analysis Coverage Universe

| (as of 6/6/2018) | Count | Percent | Investment Banking Relationships | Count | Percent |
|------------------|-------|---------|----------------------------------|-------|---------|
| Buy | 9 | 100% | Buy | 9 | 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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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.

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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 of 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 believed that a premium was warranted for the potential of Lion One 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 83-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 the potential on the balance of its special prospecting licenses. As resource at the Tuvatu Gold Project is open laterally and at depth, with the potential addition of the Navilawa exploration license, 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\$394.9 million (adjusted for a Canadian/U.S. exchange rate of 1.298:1). This speculative assessment is useful to recognize the potential of the Tuvatu Gold Project should 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\$168.7 million. Valuing the Tuvatu Gold Project at C\$168.7 with 101.9 million shares outstanding (compared to our earlier forecast of 128.0 million shares), this might suggest a

target price of about C\$1.66 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.

[Note per the Tuvatu Gold Project Preliminary Economic Assessment, dated July 14, 2015, page 22.4, “A 10% increase in gold price to US\$1,320 per ounce would increase the project pre-tax IRR to 80%, the discounted pre-tax NPV to \$149 million and decrease the payback to 1.1 years. A 10% reduction in gold price to US\$1,080 per ounce would reduce the project pre-tax IRR to 53% and discounted pre-tax NPV to \$85 million and increase the payback to 1.6 years.”]

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, operational, geological, economic, commodity price and financial risk.

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Additional information is available upon request. Write to Mike Niehuser at Scarsdale Equities LLC, 10 Rockefeller Plaza, Suite 720, New York, NY 10020 to obtain additional information or email him at miken@scarsdale-equities.com

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