



LION ONE METALS LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**(Expressed in Canadian Dollars)
(Unaudited)**

FOR THE PERIOD ENDED SEPTEMBER 30, 2014

**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 Canadian Institute of Chartered Accountants 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)

AS AT

| | September 30, 2014 | June 30, 2014 |
|---|-------------------------------|--------------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 7,005,604 | \$ 8,040,357 |
| Receivables (Note 4) | 84,059 | 130,293 |
| Prepaid expenses | 24,319 | 35,894 |
| | <u>7,113,982</u> | <u>8,206,544</u> |
| Restricted cash (Note 5) | 104,418 | 105,189 |
| Exploration advances and deposits (Note 6) | 77,595 | 91,193 |
| Exploration and evaluation assets (Note 6) | 33,677,472 | 33,142,838 |
| Property and equipment (Note 7) | <u>761,720</u> | <u>718,972</u> |
| | <u>\$ 41,735,187</u> | <u>\$ 42,264,736</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 8) | \$ 541,573 | \$ 373,657 |
| Long-term provisions (Note 8) | <u>40,181</u> | <u>41,234</u> |
| | <u>581,754</u> | <u>414,891</u> |
| Shareholders' equity | | |
| Share capital (Note 9) | 60,016,725 | 60,016,725 |
| Reserves (Note 9) | 18,623,783 | 18,550,075 |
| Accumulated other comprehensive income | 1,943,051 | 2,075,533 |
| Deficit | <u>(39,430,126)</u> | <u>(38,792,488)</u> |
| | <u>41,153,433</u> | <u>41,849,845</u> |
| | <u>\$ 41,735,187</u> | <u>\$ 42,264,736</u> |

Nature of operations and going concern (Note 1)**Commitments** (Note 10)

Approved and authorized by the Board on November 12, 2014:

"Walter H. Berukoff" Director "Hamish Greig" 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

| | 2014 | 2013 |
|---|--------------|----------------|
| EXPENSES | | |
| Consulting fees | \$ 33,750 | \$ 33,750 |
| Depreciation (Note 7) | 2,792 | 3,053 |
| Directors' fees (Note 10) | 6,000 | - |
| Foreign exchange (gain) loss | (1,044) | 5,843 |
| Licenses, dues and insurance | 12,110 | 10,860 |
| Investor relations | 34,367 | 66,528 |
| Management fees | 54,824 | 59,667 |
| Office and administrative | 125,911 | 91,787 |
| Professional fees | 160,710 | 35,490 |
| Property costs | 27,193 | 17,458 |
| Rent | 80,309 | 59,149 |
| Shareholder communications and filings | 41,809 | 66,626 |
| Share-based payments (Note 9) | 58,597 | 71,362 |
| Travel | 29,255 | 17,459 |
| Operating loss | (666,583) | (539,032) |
| OTHER INCOME (EXPENSES) | | |
| Interest income | 28,945 | 47,487 |
| Settlement (Note 10) | - | (280,783) |
| | 28,945 | (233,296) |
| Net loss for the period | (637,638) | (772,328) |
| OTHER COMPREHENSIVE LOSS | | |
| Foreign exchange loss | (132,482) | (412,483) |
| Comprehensive loss for the period | \$ (770,120) | \$ (1,184,811) |
| Basic and diluted loss per common share | \$ (0.01) | \$ (0.01) |
| Weighted average number of common shares outstanding | 60,175,608 | 60,166,881 |

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

LION ONE METALS LIMITED**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Expressed in Canadian Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED SEPTEMBER 30

| | 2014 | 2013 |
|---|------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss for the period | \$ (637,638) | \$ (772,328) |
| Non-cash items: | | |
| Depreciation (Note 7) | 2,792 | 3,053 |
| Foreign exchange (gain) loss | (1,044) | 5,843 |
| Share-based payments | 58,597 | 71,362 |
| Changes in non-cash working capital items: | | |
| Receivables | 45,946 | (80,821) |
| Prepaid expenses | 11,177 | (3,545) |
| Accounts payable and accrued liabilities | 32,274 | (21,714) |
| | <u>(487,896)</u> | <u>(798,150)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (78,128) | (26,454) |
| Exploration expenditures | (455,430) | (1,634,413) |
| Exploration advances and deposits | 12,864 | (13,378) |
| | <u>(520,694)</u> | <u>(1,674,245)</u> |
| Effect of exchange rate changes on cash | (26,163) | (23,003) |
| Change in cash during the period | (1,034,753) | (2,495,398) |
| Cash, beginning of period | <u>8,040,357</u> | <u>13,576,266</u> |
| Cash, end of period | \$ 7,005,604 | \$ 11,080,868 |
| Supplementary cash flow information: | | |
| Non-cash transactions: | | |
| Depreciation expense capitalized to exploration and evaluation assets | \$ 30,297 | \$ 28,058 |
| Share-based payments expense capitalized to exploration and evaluation assets | 15,111 | 3,316 |
| Accounts payable and accrued liabilities in exploration and evaluation assets | 363,202 | 295,996 |
| Issuance of shares for obligation on acquisition of Lion One Australia Pty Ltd. | - | 49,679 |

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

LION ONE METALS LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)

(Unaudited)

| | <u>Share Capital</u> | | Obligation to Issue Shares | Reserves | Deficit | Accumulated Other Comprehensive Income | Total |
|--|----------------------|---------------|-------------------------------|---------------|-----------------|---|---------------|
| | Number | Amount | | | | | |
| Balance, June 30, 2013 | 60,075,248 | \$ 59,904,660 | \$ 49,679 | \$ 18,441,364 | \$ (33,565,375) | \$ 855,366 | \$ 45,685,694 |
| Acquisition of Lion One Australia Pty Ltd. | 100,360 | 49,679 | (49,679) | - | - | - | - |
| Share-based payments – stock options | - | - | - | 47,941 | - | - | 47,941 |
| Share-based payments – trust shares | - | 26,737 | - | - | - | - | 26,737 |
| Comprehensive loss for the period | - | - | - | - | (772,328) | (412,483) | (1,184,811) |
| Balance, September 30, 2013 | 60,175,608 | 59,981,076 | - | 18,489,305 | (34,337,703) | 442,883 | 44,575,561 |
| Share-based payments – stock options | - | - | - | 60,770 | - | - | 60,770 |
| Share-based payments – trust shares | - | 35,649 | - | - | - | - | 35,649 |
| Comprehensive loss for the period | - | - | - | - | (4,454,785) | 1,632,650 | (2,822,135) |
| Balance, June 30, 2014 | 60,175,608 | 60,016,725 | - | 18,550,075 | (38,792,488) | 2,075,533 | 41,849,845 |
| Share-based payments – stock options | - | - | - | 73,708 | - | - | 73,708 |
| Comprehensive loss for the period | - | - | - | - | (637,638) | (132,482) | (770,120) |
| Balance, September 30, 2014 | 60,175,608 | \$ 60,016,725 | \$ - | \$ 18,623,783 | \$ (39,430,126) | \$ 1,943,051 | \$ 41,153,433 |

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)

(Unaudited)

September 30, 2014

1. NATURE OF OPERATIONS AND GOING CONCERN

Lion One Metals Limited ("Lion One" or the "Company") was incorporated on November 12, 1996 under the name X-Tal Minerals Corp. ("X-Tal") under the laws of the Province of British Columbia, Canada. On January 28, 2011, the Company changed its name to Lion One and executed a reverse takeover of American Eagle Resources Inc.

The Company is in the business of mineral exploration and development and is currently focused on the acquisition, exploration and development of mineral resources in Fiji and Australia.

The Company's head office and principal and registered and records address is 311 West 1st Street, North Vancouver, BC, Canada, V7M 1B5. The address of the Company's registered and records office is 20th Floor, 250 Howe Street, Vancouver, BC, V6C 3R8.

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 complete development in the long-term. As at September 30, 2014, the Company had not advanced its properties to commercial production. 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 from therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. The Company believes its current working capital is adequate to maintain the next twelve months of operations.

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 International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual financial statements for the year ended June 30, 2014 with the exception of newly adopted standards as presented in Note 3.

Basis of Consolidation and Presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets that are 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)

(Unaudited)

September 30, 2014

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 |
| Laines 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 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.

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

September 30, 2014

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended June 30, 2014, except for the adoption of new standards and interpretations effective as of July 1, 2014.

The following new standards, amendments to standards and interpretations have been issued and have been adopted for the fiscal year beginning July 1, 2014:

- IAS 32 (Amendment) New standard that clarifies requirements for offsetting financial assets and financial liabilities.
- IAS 36 (Amendment) This amendment addresses the disclosure of information regarding the recoverable amount of impairment assets as the amount is based on fair value less costs of disposal.
- IFRIC 21 This is an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event, known as an obligating event. The interpretation clarifies that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The application of these standards, amendments and interpretations has not had a material impact on the results and financial position of the Company.

New standards not yet adopted

IFRS 9 *Financial Instruments (Revised)*

IFRS 9 was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39 *Financial instruments: recognition and measurement*. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.

4. RECEIVABLES

| | September 30, 2014 | June 30, 2014 |
|---------------------------|-----------------------|------------------|
| GST and VAT receivable | \$ 70,754 | \$ 120,422 |
| Administration recoveries | 13,305 | 9,871 |
| Balance, end of period | \$ 84,059 | \$ 130,293 |

5. RESTRICTED CASH

The restricted cash balance is comprised of a guaranteed investment certificate and security deposit held as collateral for the Company's corporate credit cards.

LION ONE METALS LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

September 30, 2014
6. EXPLORATION AND EVALUATION ASSETS

| September 30, 2014 | Fiji | Australia | Total |
|---|----------------------|-------------------|----------------------|
| Acquisition costs | | | |
| Balance, June 30, 2014 and September 30, 2014 | \$ 21,915,063 | \$ 511,890 | \$ 22,426,953 |
| Exploration expenditures | | | |
| Balance, June 30, 2014 | 12,686,501 | 19,296 | 12,705,797 |
| Additions for the period | 642,282 | 438 | 642,720 |
| Balance, September 30, 2014 | 13,328,783 | 19,734 | 13,348,517 |
| Cumulative translation adjustment | | | |
| Balance, June 30, 2014 | (1,975,063) | (14,849) | (1,989,912) |
| Additions for the period | (94,888) | (13,198) | (108,086) |
| Balance, September 30, 2014 | (2,069,951) | (28,047) | (2,097,998) |
| Property total, September 30, 2014 | \$ 33,173,895 | \$ 503,577 | \$ 33,677,472 |

| June 30, 2014 | Fiji | Australia | Argentina | Total |
|---|----------------------|-------------------|------------------|----------------------|
| Acquisition costs | | | | |
| Balance, June 30, 2013 and 2014 | \$ 21,915,063 | \$ 2,872,894 | \$ 347,200 | \$ 25,135,157 |
| Exploration expenditures | | | | |
| Balance, June 30, 2013 | 9,640,992 | 2,210 | 7,378 | 9,650,580 |
| Additions for the year | 3,045,509 | 361,102 | 78,789 | 3,485,400 |
| Balance, June 30, 2014 | 12,686,501 | 363,312 | 86,167 | 13,135,980 |
| Cumulative translation adjustment | | | | |
| Balance, June 30, 2013 | (3,062,535) | (32,433) | (3,946) | (3,098,914) |
| Additions for the year | 1,087,472 | 134,558 | 17,411 | 1,239,441 |
| Balance, June 30, 2014 | (1,975,063) | 102,125 | 13,465 | (1,859,473) |
| Write down of exploration and evaluation assets | - | (2,705,020) | (433,367) | (3,138,387) |
| Adjustment to accumulated other comprehensive income | - | (116,974) | (13,465) | (130,439) |
| | - | (2,821,994) | (446,832) | (3,268,826) |
| Property total, June 30, 2014 | \$ 32,626,501 | \$ 516,337 | \$ - | \$ 33,142,838 |

Fiji Exploration Properties

The Company has been granted, by the Mineral Resources Department ("MRD") of Fiji, five exploration licenses (Special Prospecting Licenses or "SPL's") for the Tuvatu, Delaikoro and Vunimoli properties. The Company's primary asset is the Tuvatu Gold Project located near Nadi on the island of Viti Levu (SPL's 1283, 1296 and 1465). The other projects being Delaikoro (SPL 1467) and Vunimoli (SPL 1468) are on the island of Vanua Levu and are in the early stages of exploration.

LION ONE METALS LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

September 30, 2014**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)****Fiji Exploration Properties (cont'd...)**

Under the terms of the SPL's, the Company is required to spend a minimum threshold of expenditures on each of the licenses. Management submits exploration work to the MRD quarterly and has represented that these expenditure thresholds have been satisfied.

| Special Prospecting License | Issued | Expiry Date | Bond (Fijian \$) | Bond (Canadian \$) | Expenditure Requirement (Fijian \$) | Expenditure Requirement (Canadian \$) |
|-----------------------------------|---------------|---------------|---------------------|-----------------------|---|---|
| 1283 / 1296 | Sept. 3, 2013 | Sept. 3, 2016 | \$ 23,520 | \$ 13,693 | \$ 4,200,000 | \$ 2,445,240 |
| 1465 | Dec. 2, 2013 | Dec. 1, 2016 | 31,700 | 18,456 | 1,800,000 | 1,047,960 |
| 1467 | Nov. 7, 2013 | Nov. 7, 2016 | 11,000 | 6,404 | 650,500 | 378,721 |
| 1468 | Oct. 2, 2013 | Oct. 2, 2016 | 5,950 | 3,464 | 289,500 | 168,547 |
| | | | <u>\$ 72,170</u> | <u>\$ 42,017</u> | <u>\$ 6,940,000</u> | <u>\$ 4,040,468</u> |

The Company has submitted an application for a mining license on the Tuvatu project area itself which is a specific area within SPL's 1283 and 1296. Upon issuance of the mining license, exploration SPL's 1283 and 1296 will be reduced in size accordingly.

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

During the year ended June 30, 2014, the Company entered into a 21-year Surface Lease agreement with the iTaukei 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 (CAD\$407,540) has been paid upon acceptance of the Surface Lease agreement and the balance of FJD\$300,000 (CAD\$174,660) is due upon the first gold production from mining operations in Tuvatu. An additional lease payment of FJD\$30,000 (CAD\$17,466) is payable per annum to the local communities for education and community development over the 21-year term of the Surface Lease agreement.

Bonds

The SPL's require the posting of bonds as security against future reclamation obligations. As at September 30, 2014, the Company has bonds of \$42,017 (June 30, 2014 - \$42,161) held with the MRD included in exploration advances and deposits on the statement of financial position.

Australian Properties*Olary Creek, South Australia*

The Company has a 51% interest in the Olary Creek tenement located near Broken Hill, South Australia. The project is focused on iron ore.

In 2010, Lion One Australia entered into a joint venture agreement ("JV Agreement") with HJH Nominees ("HJH"), a private Chinese company, over the iron (Fe) and manganese (Mn) rights on the tenement. Under the terms of the JV Agreement, HJH was required, among other superseded terms, to:

- Spend \$2,000,000 on exploration within two years of signing the JV Agreement, at which time HJH would have earned a 49% interest in the Fe and Mn rights on the project; and
- Spend \$5,000,000 within 4 years to earn a 75% interest in the Fe and Mn rights on the project.

LION ONE METALS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

September 30, 2014

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

Australian Properties (cont'd...)

Olary Creek, South Australia (cont'd...)

In fiscal 2012, HJH and its third party partner, Henan Yukuang Resources Development Limited Co ("Henan"), completed the required expenditures to obtain a 75% interest under the JV Agreement. The Company, in accordance with the terms of the JV Agreement, maintains a 25% free carried interest to the completion of a bankable feasibility study and decision to mine the Fe and Mn rights and retains 100% of the rights for all other commodities on the tenement.

In fiscal 2013, the Company received notice that HJH intended to sell a 22% participating interest in the JV Agreement. The Company elected to exercise its pre-emptive right over the interest. During the year ended June 30, 2014, the Company, Henan and HJH formalized the termination of HJH from the JV Agreement. A formal Olary Creek Farm-In and Joint Venture Agreement ("Olary Creek JV") was executed confirming the respective interests of the parties and ownership of the tenement. Under the Olary Creek JV, ownership of the tenement is 51% by the Company and 49% by Henan with participation in the Fe and Mn rights of 47% by the Company and 53% by Henan.

Under the Olary Creek JV, the Company's 47% interest consists of the 25% free carried interest and a 22% contributing interest. Henan, as operator, must submit budgets and programs quarterly as and when exploration advances. The Company will then have the option to contribute according to its 22% interest or dilute. HJH retains a 0.5% free on board ("FOB") royalty on iron ore product from the tenement in relation to the 22% participating interest held by the Company and a further royalty with Henan.

The Company's 25% free carried interest can be converted to either a 2% free on board ("FOB") royalty on iron ore product from the tenement or a 1% FOB royalty plus a reserve tonne royalty of \$0.50 per tonne of iron ore produced from the tenement.

Ashburton Project, Western Australia

The Ashburton Project Area consists of three adjacent project areas, namely the Ashburton Cameco JV, the Saltwater Pool JV and tenements held 100% by the Company. The Ashburton Project Area is comprised of tenements prospective for gold, silver, rare earths, uranium and base metals, south of Paraburdoo in Western Australia.

During the year ended June 30, 2014, the Company elected to write-down capitalized property costs of \$2,052,612 on the Ashburton Project and \$769,382 on the Saltwater Pool JV as development is not currently planned while the Company focuses its resources on the Tuvatu Gold Project.

Bonds

As at September 30, 2014, the Company held \$20,527 (June 30, 2014 - \$21,166) in performance bonds with various Australian authorities on its Australian tenements included in exploration advances and deposits on the statement of financial position.

Argentinean Properties

Cerro Chacon

The Company has an agreement with MH Argentina S.A. ("MHA") to earn a 60% interest in 13 tenements in the Patagonia region of Argentina by incurring US\$500,000 in exploration expenditures within three years.

Additionally, the Company is able to earn 100% of the project by forming a Joint Venture Company with MHA within the initial three-year term and commencing mining activities within 10 years. Upon earning a 100% interest, MHA will be granted a 3% NSR of which one-half (1.5%) may be acquired by the Company by issuing a one-time payment of US\$1,500,000.

LION ONE METALS LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

September 30, 2014**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)****Argentinean Properties (cont'd...)***Sierra Cuadrada*

In fiscal 2013, the Company entered into a formal agreement with Maple Minerals Exploration and Development Inc. ("Maple") wherein it may earn a 51% interest in the Sierra Cuadrada project by spending US\$1,000,000 in exploration over four years. The project is located in the Chubut Province of Argentina.

The Company may provide notice to Maple upon completion of the expenditure requirements with the intention to form a joint venture company to continue the exploration and development of the tenements. If the Company chooses to terminate the agreement, the Company is required to compensate Maple for any shortfall in the pro-rata annual expenditure commitment in cash.

In the year ended June 30, 2014, the Company elected to write-down capitalized property costs of \$446,832 on the Argentinean Properties as exploration and evaluation is not currently planned while the Company focuses its resources on the Tuvatu Gold Project.

7. PROPERTY AND EQUIPMENT

| | Computers and Office Equipment | Motor Vehicles | Building and Equipment | Total |
|-----------------------------------|--------------------------------------|-------------------|---------------------------|----------------|
| Cost | | | | |
| Balance, June 30, 2013 | \$ 124,823 | \$ 166,443 | \$ 641,898 | \$ 933,164 |
| Additions for the year | 2,685 | - | 77,630 | 80,315 |
| Cumulative translation adjustment | <u>5,444</u> | <u>7,164</u> | <u>28,625</u> | <u>41,233</u> |
| Balance, June 30, 2014 | 132,952 | 173,607 | 748,153 | 1,054,712 |
| Additions for the period | 78,128 | - | - | 78,128 |
| Cumulative translation adjustment | <u>(684)</u> | <u>(620)</u> | <u>(2,528)</u> | <u>(3,832)</u> |
| Balance, September 30, 2014 | \$ 210,396 | \$ 172,987 | \$ 745,625 | \$ 1,129,008 |
| Accumulated depreciation | | | | |
| Balance, June 30, 2013 | \$ 60,434 | \$ 48,595 | \$ 96,031 | \$ 205,060 |
| Additions for the year | 30,617 | 30,930 | 59,079 | 120,626 |
| Cumulative translation adjustment | <u>3,278</u> | <u>2,573</u> | <u>4,203</u> | <u>10,054</u> |
| Balance, June 30, 2014 | 94,329 | 82,098 | 159,313 | 335,740 |
| Additions for the period | 9,100 | 8,143 | 15,846 | 33,089 |
| Cumulative translation adjustment | <u>(547)</u> | <u>(359)</u> | <u>(635)</u> | <u>(1,541)</u> |
| Balance, September 30, 2014 | \$ 102,882 | \$ 89,882 | \$ 174,524 | \$ 367,288 |
| Net book value | | | | |
| As at June 30, 2014 | \$ 38,623 | \$ 91,509 | \$ 588,840 | \$ 718,972 |
| As at September 30, 2014 | \$ 107,514 | \$ 83,105 | \$ 571,101 | \$ 761,720 |

LION ONE METALS LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

September 30, 2014**8. PROVISIONS**

| | September 30, 2014 | June 30, 2014 |
|--|-----------------------|------------------|
| Accounts payable and accrued liabilities | | |
| Trade payables and short-term provisions | \$ 75,621 | \$ 46,960 |
| Exploration expenditures payable | 363,202 | 224,140 |
| Employee benefits | 102,750 | 102,557 |
| Balance, end of period | \$ 541,573 | \$ 373,657 |

Long-term provisions represent accrued long-term service benefits for employees in Australia in accordance with Australian labour standards.

9. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

The Company did not complete any private placements in the period ended September 30, 2014 or the year ended June 30, 2014.

c) Trust agreement

Pursuant to a Trust Agreement dated April 1, 2010, the Company has issued and allotted 1,000,000 common shares from treasury to a designated trustee. The Trust Agreement stipulates the release of the shares to the beneficiaries upon vesting dates. During the period ended September 30, 2013, share-based payments expense of \$26,767 was recognized during the period for the vesting of shares. As at September 30, 2014, 100,000 (June 30, 2014 – 100,000) shares remained in trust.

d) Stock options and warrants

The TSX Venture Exchange accepted for filing the Company's Stock Option Plan which was approved by the Company's shareholders at the Annual General Meeting held December 11, 2013. 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.

e) Stock options

Stock option transactions are summarized as follows:

| | Number of Shares | Weighted Average Exercise Price |
|---|------------------|------------------------------------|
| Balance, June 30, 2013 | 3,363,667 | \$ 0.77 |
| Granted | 1,775,000 | 0.35 |
| Forfeited and expired | (898,667) | 0.55 |
| Balance, June 30 and September 30, 2014 | 4,240,000 | \$ 0.64 |
| Balance, September 30, 2014 exercisable | 2,092,080 | \$ 0.87 |

LION ONE METALS LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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September 30, 2014**9. SHARE CAPITAL AND RESERVES (cont'd...)**

e) Stock options (cont'd...)

Stock options outstanding as at September 30, 2014:

| | Number | Exercise price | Expiry date |
|----------------------|------------------|----------------|-------------------|
| Stock Options | 680,000 | \$ 0.35 | March 1, 2015 |
| | 535,000 | 1.00 | October 25, 2015 |
| | 400,000 | 1.40 | May 25, 2016 |
| | 200,000 | 1.40 | July 20, 2016 |
| | 25,000 | 1.40 | November 2, 2016 |
| | 500,000 | 0.70 | October 11, 2017 |
| | 125,000 | 0.70 | February 26, 2018 |
| | <u>1,775,000</u> | 0.35 | June 27, 2019 |
| | 4,240,000 | | |

Total share-based payments recognized in the statement of shareholders' equity for the three months ended September 30, 2014 was \$73,708 (2013 - \$47,941) for incentive options vesting. Share-based payments expense of \$58,597 (2013 - \$44,625) was recognized in the statement of loss and comprehensive loss with the balance of \$15,111 (2013 - \$3,316) capitalized to exploration and evaluation assets, which relates to employees working on the Tuvatu property.

10. RELATED PARTY TRANSACTIONS**Management Compensation**

Key management personnel comprise of the Chief Executive Officer, former President, Managing Director, Chief Financial Officer, VP Administration and Vice President and Corporate Secretary of the Company. The remuneration of the key management personnel is as follows:

| | 2014 | 2013 |
|---------------------------------------|------------|------------|
| Payments to key management personnel: | | |
| Cash compensation | \$ 148,532 | \$ 176,413 |
| Share-based payments | 32,630 | 46,527 |

During the three months ended September 30, 2014, the Company paid \$45,000 (2014 - \$45,000) in rent to Cabrera Capital Corp. ("Cabrera"), a company controlled by a director of the Company. As at September 30, 2014, the Company had advanced \$2,699 (June 30, 2014 - \$2,469) to Cabrera.

During the three months ended September 30, 2014, the Company paid professionals services fees of \$15,100 (2013 - \$11,895) to a management services company owned by a director of the Company's subsidiary.

During the three months ended September 30, 2014, the Company paid directors' fees of \$6,000 (2013 - \$Nil) to non-executive board members.

As at September 30, 2014, the amount of \$17,729 (June 30, 2014 - \$13,782) included in accounts payable is due to related parties. All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

Settlement

A payment of \$283,394 was authorized and paid in the year ended June 30, 2014, for a director of the Company, in respect of a claim asserted against the Company. The claim was in recognition of a tax liability which arose due to the design of the director's previous employment contract with a subsidiary of the Company.

LION ONE METALS LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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September 30, 2014**10. RELATED PARTY TRANSACTIONS (cont'd...)***Commitment*

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 January 31, 2011.

11. SEGMENTED INFORMATION

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

| September 30, 2014 | Canada | Fiji | Australia | Total |
|-----------------------------------|---------------|----------------|--------------|----------------|
| Exploration and evaluation assets | \$ - | \$ 33,173,895 | \$ 503,577 | \$ 33,677,472 |
| Property and equipment | <u>74,382</u> | <u>683,859</u> | <u>3,479</u> | <u>761,720</u> |
| | \$ 74,382 | \$ 33,857,754 | \$ 507,056 | \$ 34,439,192 |

| June 30, 2014 | Fiji | Australia | Total |
|-----------------------------------|----------------|--------------|----------------|
| Exploration and evaluation assets | \$ 32,626,501 | \$ 516,337 | \$ 33,142,838 |
| Property and equipment | <u>712,610</u> | <u>6,362</u> | <u>718,972</u> |
| | \$ 33,339,111 | \$ 2,858,571 | \$ 33,861,810 |

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Financial instruments**

Cash and restricted cash are carried in the statement of financial position at fair value using a level 1 fair value measurement. Receivables, deposits, accounts payable and accrued liabilities are carried at amortized cost. The Company considers that the carrying amount of these financial assets and liabilities measured at amortized cost to approximate their fair value due to the short term nature of the financial instruments. Long-term provisions, representing long-term service benefits, are carried at amortized cost and reflect the fair value of the instrument as the carrying value reflects the payout of the instrument as at the reporting date.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors*Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The Company does not currently maintain cash deposits in Argentina.

Receivables mainly consist of government sales 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.

LION ONE METALS LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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September 30, 2014**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)****Financial risk factors (cont'd...)***Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2014, the Company had a working capital of \$6,572,409.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes the interest rate risk is low given the current low global interest rate environment.

b) Foreign currency risk

The Company's property development and exploration work occurs in Fiji, Australia and Argentina and is conducted in Canadian dollars, Australian dollars, Fijian dollars and, to a lesser degree, Argentinean pesos. As such, the Company is exposed to foreign currency risk in fluctuations among these currencies. Fluctuations in the exchange rate among the Canadian dollar, Australian dollar and Fijian dollar may have a material adverse effect on the Company's business and financial condition.

As at September 30, 2014, the Company's net foreign denominated financial assets are as follows:

| | Foreign currency | Canadian dollar equivalent |
|-------------------|------------------|----------------------------|
| Australian Dollar | \$ 782,022 | \$ 766,851 |
| Fijian Dollar | 150,071 | 87,371 |

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, 2014 | June 30, 2014 |
|--|--------------------|---------------|
| + 5% | \$ 42,711 | \$ 65,172 |
| - 5% | (42,711) | (65,172) |

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The Company closely monitors commodity prices to determine the appropriate strategic action to be taken by the Company.

LION ONE METALS LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

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13. CAPITAL MANAGEMENT

The Company's capital management policy is to maintain 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 \$41,153,433 (June 30, 2014- \$41,849,845). In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek additional 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, 2014.