



## **LION ONE METALS LIMITED**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE PERIOD ENDED DECEMBER 31, 2017**

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*Set out below is a review of the activities, results of operations and financial condition of Lion One Metals Limited ("LIO", "Lion One", or the "Company") and its subsidiaries for the period ended December 31, 2017. The discussion below should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the period ended December 31, 2017 and the audited consolidated financial statements for the year ended June 30, 2017. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at February 13, 2018.*

*The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol LIO, on the Australian Securities Exchange ("ASX") under the symbol LLO, and on the OTCQX market under the symbol LOMLF.*

*Additional information related to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.liononemetals.com](http://www.liononemetals.com).*

## BACKGROUND AND CORE BUSINESS

Lion One Metals Limited 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 executed a reverse takeover ("RTO") of X-Tal by American Eagle Resources Inc. ("AME") and changed its name to Lion One Metals Limited.

Lion One is a reporting issuer in British Columbia and Alberta, with its common shares listed on the TSX Venture Exchange under the symbol "LIO", and a secondary listing of Chess Depository Interests "CDI's" on the Australian Stock Exchange "the ASX" under the symbol "LLO".

The Company's head office and principal address is 311 West 1<sup>st</sup> Street, North Vancouver, BC, V7M 1B5. The address of the registered and records office is Suite 1700 – 1055 West Hastings Street, Vancouver, BC, V6E 2E9.

The Company's primary asset is the 100% held Tuvatu Gold Project ("Tuvatu"), located on the island of Viti Levu in the Republic of Fiji. The Company operates in Fiji under its wholly-owned subsidiary Lion One Limited (Fiji).

The Tuvatu Gold Project is located 17 km from the Nadi International Airport on the main island of Viti Levu in Fiji. Discovered in 1987, Tuvatu is a high grade, low sulphidation, epithermal gold deposit situated upon the Viti Levu lineament, Fiji's own corridor of high grade gold deposits. Tuvatu is situated upon a 5 hectare footprint inside a larger 384 hectare mining lease. The project contains numerous high grade prospects proximal to Tuvatu, at depth, and up to 1.50 km along strike from the resource area, giving near-term production potential and further discovery upside inside of one of Fiji's largest and underexplored volcanic goldfields.

Tuvatu was advanced by previous owners through underground exploration and development from 1997 through to the completion of a feasibility study in 2000. Acquired by Lion One in 2011, the project has over 100,000 meters of drilling completed to date in addition to 1,600 meters of underground development.

In January 2016, the Hon. Prime Minister of Fiji, Mr. V. Bainimarama, formally presented the previously granted Tuvatu Mining Lease to Lion One in a ceremony at Tuvatu, concluding the permitting process for the development of an underground gold mine and processing plant at Tuvatu, demonstrating strong government support for Fiji's 85 year-old gold mining industry.

The Company envisages a high grade, low cost, high margin underground gold mining operation at Tuvatu with estimated cash costs of US\$567 per ounce and all-in-sustaining costs of US\$779 per ounce over the first seven years of its initial mine life. Projected production of 352,931 ounces of gold at head grades of 11.30 g/t Au includes 226,000 ounces at 15.30 g/t through year three. Total capex of US\$48.6 million includes a contingency of US\$6.1 million with an 18-month preproduction schedule and 18-month payback on capital. At a US\$1,200 gold price, the project generates net cash flow of US\$112.5 million over its 6 year production life and an IRR of 52% (after tax). The Company has not based a production decision on a feasibility study of mineral reserves demonstrating economic and technical viability; as a result, there is increased uncertainty and economic and technical risks associated with its production decision. For more information please view the technical report dated June 1, 2015 "Tuvatu Gold Project Preliminary Economic Assessment", available for download on the Company website.

## COMPANY HIGHLIGHTS

During the period ended December 31, 2017, the Company continued its strategy of continued exploration, development, and de-risking of the Tuvatu Gold Project. Mine engineering and underground development progressed alongside final detailed engineering for the Tuvatu processing plant and site infrastructure. The Company's 2016-2017 drill program successfully extended the existing zones of mineralization and increased confidence in the resource ahead of mine development at Tuvatu. Drilling intersected high-grade zones of mineralization proximal to, and outside the current resource area and demonstrates the project's further resource upside potential.

### *Surface Development*

On November 14, 2017, the Company announced that the bulk earthworks construction contract was awarded to A.R. Quarry and Concrete Ltd. ("ARQC"), a large reputable civil contractor based in Nadi Fiji. The bulk earthworks contract includes the excavation and fill required to construct five platforms for the run of mine ore stockpile, the crushing plant, the processing plant, the maintenance shop, and the diesel power generation plant. Additional work in the contract includes the erection of three retaining walls, construction of a lined storm water detention pond, excavation of diversion and drainage ditches and culverts, straightening of Tuvatu creek, and rerouting of 400m of the Navilawa Road. ARQC mobilized and started work in late November with substantial completion expected during the quarter ending June 30, 2018.

The Company continues to optimize the underground mine plan. The evaluation of two competing bids from Australian underground mining contractors specializing in narrow vein mining is ongoing. The award of the mining contract will drive preproduction mining to build a large run of mine stockpile to mitigate mining risk prior to commissioning of the processing plant.

The Company is currently evaluating several Engineering, Procurement, and Construction ("EPC") bids from China for the processing plant and associated infrastructure. The Company intends to select the EPC bidder to finalize contract scope, deliverables, schedule and costs for formal award as soon as possible.

The Tuvatu analytical laboratory construction was awarded in January 2018 with substantial completion expected during the quarter ending June 30, 2018. The lab is to be located at the Lion One compound in Nadi to expedite exploration and grade control sample assaying.

### *Dewatering, Decline, Drilling*

The Company completed dewatering of the existing exploration decline down to its bottom. The dewatering pumps are now only used intermittently to maintain the water level at the decline bottom. Ground water entry into the decline has not shown any significant increase. Minor ground support work is ongoing in the newly dewatered section.

The decline was completed in the year 2000 by Emperor Gold Mines, comprising 1,430 meters of underground development including drives, cross cuts and raises. In conjunction with the dewatering, ventilation fans and lighting have been installed and are running as required.

During dewatering, two slippages were encountered in the whole area, one at the Core Shed Fault, 140m inside the decline which was cleared and reinforced to ensure permanent and safe access past that area, and the second at the 560m level which was removed with a new LHD loader. Safe access into all parts of the exploration decline is now available for future drilling and development programs. The rehabilitation of this area has been approved by Mine Inspectors from Fiji's Mineral Resource Department.

### *Diamond Drilling*

The Company commenced diamond drilling at Tuvatu in October 2016 with one surface rig, followed by the addition of an underground rig in March 2017. A total of 13,946.5 meters of diamond drilling has been completed for this program consisting of 11,195.8m from 67 surface drill holes, and 1684.19m from 16 underground drill holes. An additional 1,066.5m of drilling has been completed in 42 holes for geotechnical purposes in the area of the proposed processing plant and onsite proposed office, and to confirm stability of the monzonite host rock underground.

The infill drilling results announced November 23, 2016, December 21, 2016, February 14, 2017, August 22, 2017, and October 17, 2017 further confirm the high grades and continuity of near surface mineralization at Tuvatu. The Company's 2016-2017 drill program successfully extended the existing zones of mineralization and increased confidence in the resource ahead of mine development at Tuvatu.

The Tuvatu resource consists of 39 mineralised lodes, of which about half are included in the current mineable resource. The lodes strike in a number of different directions and many remain open along strike and also at depth. Consequently, there are numerous targets within and adjacent to the Tuvatu resource itself as well as regional targets which could be drilled using a surface rig.

The following is a summary of the drilling program in this area north of the Core Shed Fault.

Previous to this current program, relatively little drilling has been completed north of the Core Shed Fault, although there is evidence from both outcrop on the surface, exposures in the exploration decline, and the drilling that has been undertaken, that the structures and lodes recognized to the south do continue north, and in some cases, significant distances away from the Core Shed Fault. Drilling from the surface highlighted that some of these lodes are well mineralized further away from the Core Shed Fault. The drilling has also given considerably more information on the orientation and nature of the Core Shed Fault. This information will be critical for mine planning and when mining commences.

Historically, the most significant drill intersect was from TUDDH 049 (one of the very earliest diamond drill holes drilled at Tuvatu in the 1990's), which returned the following results:

- 50.0 – 53.0 3.00m @ 4.14 g/t Au SKL 1
- 55.45– 57.0 1.55m @ 6.16 g/t Au SKL 1
- 59.0 – 59.5 0.50m @ 1.06 g/t Au SKL 2
- 64.5 – 65.5 1.00m @ 10.34 g/t Au SKL 4
- 71.65 – 73.0 1.35m @ 11.40 g/t Au SKL 8

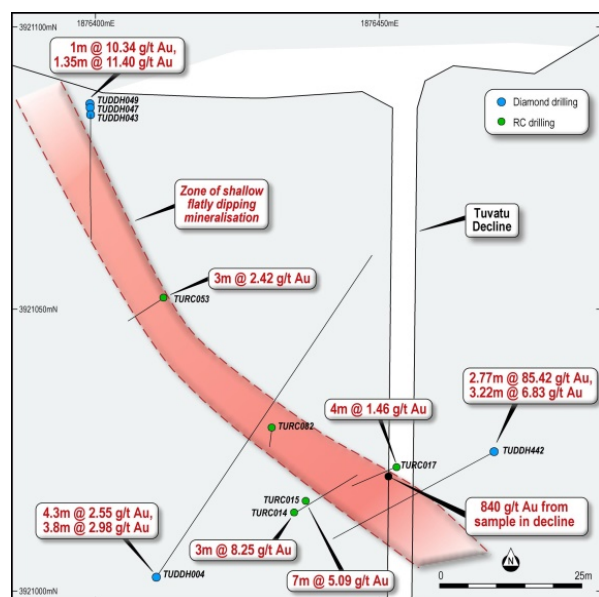


Figure 1: Historical drilling north of CSF

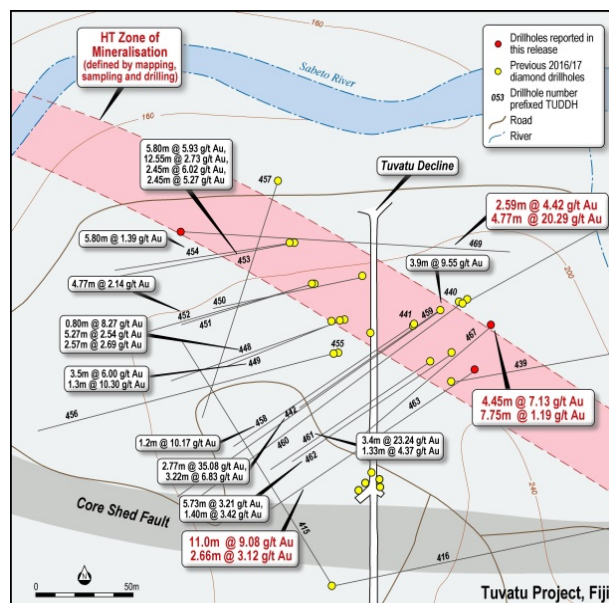


Figure 2: Lion One Diamond Drilling in the same zone

Figure 1 highlights the mineralized historical drill holes completed north of the Core Shed Fault, with the first Lion One drill hole of this program, TUDDH 442 included. Figure 2 highlights the drilling completed by Lion One in this area in 2017 and the holes completed during this period in this zone.

The drilling earlier in this program indicated that the mineralization is pervasive over a width of at least 50 meters, and appears to lie in the northwest/ southeast corridor, parallel with the Tuvatu and H lodes, this new zone is now referred to as the HT Corridor.

During 2017, within the HT Corridor Zone, a total of 28 surface diamond drill holes were completed (TUDDH440-442, 448- 472) on this zone for a total advance of 3,535 meters, in addition to 4 underground diamond drill holes for 295.2 meters, whilst it is only the last 11 drill holes which are reported in this Quarter (TUDDH462 – 472).

Hole No	From	To	Interval (m)	Grade (g/t)	Lode
<b>TUDDH 462</b>	60.05	61.50	1.45	0.85	H
	67.50	71.10	3.60	1.95	T1
	72.72	74.45	1.73	1.21	T1
	87.60	93.33	5.73	3.21	T2
	95.60	97.00	1.40	3.42	T2
<b>TUDDH 463</b>	3.34	3.70	0.36	8.01	UR2
	80.79	91.80	11.01	9.08	T1
	116.70	118.40	1.70	1.57	T2
	127.35	130.02	2.67	3.12	T2
<b>TUDDH 464</b>	3.00	3.25	0.25	6.81	H1
	118.65	119.90	1.25	2.74	T2
	132.55	134.85	2.30	2.92	T1
	135.92	139.15	3.23	3.83	T1
<b>TUDDH 465</b>	65.60	66.05	0.45	6.04	T1
<b>TUDDH 467</b>	124.60	125.10	0.50	6.91	H1
	133.80	134.05	0.25	26.36	H1
	191.70	199.45	7.75	1.19	T1
	214.45	218.90	4.45	7.13	T2
<b>TUDDH 469</b>	16.05	18.64	2.59	4.42	T2
	21.50	26.27	4.77	20.29	T1
	50.82	51.05	0.23	11.53	H1
	53.60	55.57	1.97	3.47	H1
	88.90	90.60	1.70	1.49	H2

Table 1: Most Significant Intersections Returned this Quarter from Lion One Drilling North of the Core Shed Fault

Drilling, mapping, sampling and trenching of this HT Corridor has so far highlighted an area of mineralization 250 to 300 meters long, but it has also shown that the structure extends at least a further 1.5km to the northwest, and several kilometers to the southeast. The extent of mineralization itself is unknown in both directions, but further trenching, sampling and mapping, followed by drilling is planned. This HT Corridor is one of the most important zones of mineralization identified at Tuvatu in recent years.

*Navilawa Tenement Tender*

The Company was notified in November 2017 by Fiji's Ministry of Lands and Natural Resources of its successful bid to acquire the Navilawa exploration prospect directly adjoining the northern boundaries of Lion One's Special Prospecting License and Mining Lease areas covering the Tuvatu gold project.

The Navilawa prospect area directly adjoins the northern boundary of Lion One's tenements at Tuvatu, which if combined, would consolidate ownership of the entire Navilawa mineral complex under an exploration license package with Tuvatu's 384.5 hectare Mining Lease (SML 62) and mining and processing operation, currently under development, at its center.

The Navilawa area has at least 10 well defined prospects including the Kingston Mine, Banana Creek, and Tuvatu North. The most significant historic results returned were surface rock chip samples of 46.30 g/t Au from Banana Creek; 176.27 g/t Au from the Kingston Mine, and 8.50 g/t Au from Tuvatu North, where a rock chip sample was taken from just inside Lion One's existing tenement SPL 1296 and adjacent to the Tuvatu resource. Although little systematic historical exploration has been undertaken in the area, 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. Mapping, sampling and geophysics clearly demonstrates that the Tuvatu gold deposit extends north into the Navilawa tenement area.

**EXPLORATION AND EVALUATION ASSETS****PROPERTIES - FIJI*****Tuvatu Gold Project, Viti Levu***

The Company's primary asset is the Tuvatu Gold Project located near Nadi on the island of Viti Levu, Fiji. The Tuvatu Gold Project has been fully permitted for development, construction and mining by the Government of Fiji with the grant of a Special Mining Lease (SML 62) in 2015, and prior Department of Environment approvals for the Tuvatu Environmental Impact Assessment and the Construction and Operational Environmental Management Plans. The Company signed a 21-year Surface Lease agreement with local landowners and the iTaukei Land Trust in 2014.

SML 62 is a designated area within the original boundaries of the Company's SPL's 1283 and 1296. SML 62 provides exclusive rights for the potential development, construction, and operation of mining, processing, and waste management infrastructure at Tuvatu. The Mining Lease area covers 384.5 hectares and contains all of the current NI 43-101 resource and multiple high grade prospects in the Navilawa goldfield, one of Fiji's major volcanic intrusive complexes. The Tuvatu camp is located 16 km by road from the Lion One Fiji head office adjacent to the International Airport in Nadi, and 35 km from the Port of Lautoka.

The terms of SML 62 provide for certain performance and reporting requirements. The SML has been granted for a term of ten years provided the Company complies with the terms of the lease. Extensions to the term can be applied subject to the terms of the lease and the Mining Act. SPL's 1283, 1296, and 1465 were renewed in 2017 for a 3 year term.

For the 2016-2017 drill program, the Company completed 125 diamond drill holes at Tuvatu for a total advance of 13,946.5 meters. This includes surface diamond drill holes (67 holes for 11,195.8 meters), underground diamond drill holes (16 holes for 1684.2 meters) and geotechnical diamond drill holes (42 holes for 1,066.5 meters). Of this total program, 26 diamond drill holes were drilled from the surface for a total advance of 3,451.5 meters during the period ended September 2017. Although, there was no underground drilling or geotechnical diamond drilling during the period ended December 2017, mapping and surface sampling continued and successfully identified extensions to existing and new zones of mineralization away from the current resource.

High grade, low-sulphidation gold mineralization of the Tuvatu deposit is associated with the emplacement of an alkalic volcanic intrusive complex in the Navilawa Caldera, one of several large mineralized systems aligned along the Viti Levu Lineament, Fiji's epithermal gold corridor. The geologic setting of Tuvatu shares affinities with the Vatukoula deposit in the neighboring Tavua Caldera, where over seven million ounces of gold have been recovered since mining commenced at Vatukoula in 1933.

The Fijian Islands are located along the Pacific Island Arc, which hosts a number of other well-known major mineral epithermal gold deposits systems such as the Lihir, Porgera, Ok Tedi, and Wafi-Golpu gold deposits in Papua New Guinea.

On July 14, 2015, the Company published a National Instrument ("NI") 43-101 Preliminary Economic Assessment (the "PEA") for Tuvatu, prepared by independent consultants Canenco Canada Inc., AMC Consultants Pty Ltd., Knight Piésold Pty. Ltd., and Mining Associates Pty Ltd.

The PEA is based on the resource estimate contained in the technical report entitled "Tuvatu Resource Estimate" dated June 6, 2014 and prepared by Ian Taylor of Mining Associates Pty Ltd. Tuvatu hosts an indicated mineral resource of 1.1 million tonnes grading 8.46 g/t gold for 299,500 contained ounces, and an inferred mineral resource of 1.5 million tonnes grading 9.70 g/t gold for 468,000 contained ounces at a cut-off grade of 3.0 g/t Au.

The resource is summarized as follows:

<b>Tuvatu Resource Summary</b>			
<b>Cutoff</b>	<b>Indicated</b>		
<b>g/t</b>	<b>tonnes</b>	<b>g/t</b>	<b>ounces</b>
1.0	1,943,000	5.61	350,300
2.0	1,435,000	7.07	326,200
3.0	1,101,000	<b>8.46</b>	299,500
5.0	683,000	11.25	247,000
<b>Cutoff</b>	<b>Inferred</b>		
<b>g/t</b>	<b>tonnes</b>	<b>g/t</b>	<b>ounces</b>
1.0	3,022,000	5.8	561,000
2.0	2,156,000	7.5	520,000
3.0	1,506,000	<b>9.7</b>	468,000
5.0	872,000	13.9	390,000

The PEA published in July 2015 provides the following highlights (US\$1,200/oz Au base case):

- Capital costs of US\$48.6 million (excluding working capital); 15 month pre-production schedule
- 1.5 year payback, IRR of 67% (before tax), NPV5% of US\$117 million
- 352,931 oz gold production over first 7 years at average grade of 11.30 g/t gold
- Operating costs of US\$567 per oz Au; All-in sustaining costs of US\$779 per oz Au

The Company has been reviewing and enhancing a number of aspects of its 2015 study, with a view to move forward with the project as soon as possible.

The PEA is filed on the Company's profile at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.liononemetals.com](http://www.liononemetals.com).

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized.



Expenditures incurred on the Fiji properties are as follows:

	June 30, 2016	Additions	June 30, 2017	Additions	December 31, 2017
Acquisition costs	\$ 21,915,063	\$ -	\$ 21,915,063	\$ -	\$ 21,915,063
Camp costs and field supplies	831,136	113,083	944,219	67,544	1,011,763
Consulting fees	2,235,868	127,555	2,363,423	118,672	2,482,095
Depreciation	615,058	127,111	742,169	98,533	840,702
Dewatering and environmental	417,229	619,340	1,036,569	317,901	1,354,470
Drilling	2,222,866	1,895,137	4,118,003	582,761	4,700,764
Fiji office administration	1,445,291	1,519,404	2,964,695	497,378	3,462,073
Permitting and community consults	676,257	82,402	758,659	22,204	780,863
Site works and road building	690,374	52,509	742,883	324,242	1,067,125
Salaries and wages	4,683,597	921,238	5,604,835	549,997	6,154,832
Sample preparation, assaying	1,181,311	147,661	1,328,972	148,184	1,477,156
Technical reports	901,552	248,972	1,150,524	140,261	1,290,785
Travel	645,254	147,585	792,839	152,794	945,633
Vehicle and transportation	355,747	109,886	465,633	83,737	549,370
Write-off of exploration assets	(771,648)	-	(771,648)	-	(771,648)
Cumulative foreign currency translation adjustment	60,973	204,080	265,053	(1,265,009)	(999,956)
	\$ 38,105,928	\$ 6,315,963	\$ 44,421,891	\$ 1,839,199	\$ 46,261,090

Details regarding the expenditure commitments on the SPL's are included in the accompanying consolidated financial statements.

## PROPERTIES – AUSTRALIA

### *Olary Creek, South Australia*

The Olary Creek Project is located in South Australia 70 km southwest of Broken Hill, NSW, and 40 km south of the Barrier Highway. To the north of the area is an open access railway with direct routes to major capital cities and ports. The property is considered prospective for a range of minerals, having previously been drilled for uranium and copper, and subsequently for iron ore. The project contains several iron rich siltstone units of the Braemar Iron Formation, which are highly prospective for bulk magnetite deposits.

On February 8, 2018, Lion One Australia and Yukuang Australia (WA) Resources Pty Ltd. ("Yukuang") Exploration Licence (EL 5928) was extended for a period of two years ending on February 7, 2020.

The original exploration joint venture on the Olary Creek Project was formed in 2010 between Lion One Australia and Perth-based HJH Nominees ("HJH"). In 2011 HJH signed a farm-in agreement with Yukuang, the Australian subsidiary of Henan Yukuang, a state-owned mineral exploration and mining company based in Henan Province, Peoples Republic of China, whereby Yukuang could earn a combined 75% interest in the iron and manganese rights. In April 2012 the HJH/Yukuang partnership reached the \$5,000,000 expenditure requirement with Lion One Australia retaining a 25% free carried interest. In July 2013 Lion One Australia exercised its preemptive right over the 22% interest held by HJH and negotiated new Farm-in, Joint Venture, and Split Commodity Agreements with Yukuang covering the iron and manganese rights. Lion One Australia now holds a 51% interest in the tenement and has retained 100% rights for all other commodities. Lion One currently retains a 47% interest in the iron ore and manganese rights on the Olary Creek Joint Venture.

The Company's 47% joint venture interest comprises a 25% interest free carried through the completion of a bankable feasibility study and the decision to mine, and a 22% participating interest. The Company holds an option to convert its 25% free carried interest, within 90 days of the decision to mine, to a 2% FOB royalty, or to a 1% FOB royalty with a \$0.50 per tonne production royalty. The 22% participating interest is an optional contributing interest.

In excess of 16,000 meters of diamond and reverse circulation drilling have been carried out by the joint venture partners to test zones of outcropping iron mineralization that extend along 7.5 kilometers of strike and have been observed to improve in grade and thickness at depth. The prospective Braemar Iron Formation remains open at depth and open along strike within the tenement area.



On March 6, 2014, the Company published an initial NI 43-101 Mineral Resource Estimate for the Olary Iron Ore Project, in South Australia. The technical report "Olary Iron Project Mineral Resource Estimate, South Australia" was commissioned by joint venture partner Yukuang and completed by SRK Consulting Australasia Pty Ltd.

Highlights of the estimate include:

Olary Iron Project Resource Estimate Summary									
Category	Tonnage	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	LOI%	S%	P%	DTR%	Density
Indicated	214,000,000	26.3	40.8	6.9	3.9	0.029	0.24	26.4	3.12
Inferred	296,000,000	26.4	41.3	6.9	3.7	0.027	0.25	27.3	3.10

Table 1: Summary of Olary Iron Project Resource Estimate using cutoff grade of 20% Fe

Category	Concentrate Tonnage	DTR Concentrate Grades					
		Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	LOI%	S%	P%
Indicated	57,000,000	69.6	2.9	0.3	-3.1	0.008	0.01
Inferred	81,000,000	69.8	2.6	0.2	-3.1	0.009	0.008

Table 2: Davis Tube Recovery (DTR) test results and Fe content for the magnetic concentrate for composite RC and Diamond drillhole samples at grind size of 38 microns and 10% DTR cut-off grade

A full tenement listing is provided in Schedule "A" at the end of this MD&A.

### Qualified Persons

*Mr. Stephen Mann, who is an officer and director of the Company and a member of The Australasian Institute of Mining and Metallurgy, is the Qualified Person under the meaning of Canadian National Instrument 43-101, and responsible for the exploration technical content of this Management's Discussion and Analysis.*

*Mr. Ian I Chang, M.A.Sc, P.Eng., who is an officer of the Company, is a Qualified Person under the meaning of Canadian National Instrument 43-101, is responsible for the development and engineering content of this Management's Discussion and Analysis.*

### OUTLOOK

The Company is focused on the advancement of its primary asset, the 100% owned and fully permitted Tuvatu Gold Project in Fiji. Lion One has received all of the mandatory regulatory approvals, including a 10-year renewable mining lease and 21-year surface lease, for the complete development of mining and processing operations at Tuvatu.

The Company has carried out an extensive diamond drilling program targeting ore lodes to be developed in the first two or three years of mining. Infill and extensional holes have been drilled on lodes adjacent to the existing portal, and which can easily be accessed from that portal.

Regional exploration is ongoing through geological mapping, trenching and sampling, targeting prospects close to the Tuvatu infrastructure containing high grade gold assays from rock chip and trench samples. Work will also focus on the further clearing and earthworks of the proposed processing plant area and the tailings storage facility area in preparation for proposed construction activities.

The second phase of proposed underground work includes the development of a new western portal and 500 meter decline to be driven into the central mineralized zone of the Tuvatu resource. These development activities will be undertaken in conjunction with surface and underground drilling focused on Tuvatu and discussed above. Further near surface targets within the mining lease area will be explored with the potential to add low-cost ounces to the resource base.

The Company advises that it has not based a production decision on a feasibility study of mineral reserves, demonstrating economic and technical viability, and, as a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery, including increased risks associated with developing a commercially mineable deposit. Historically, such projects have a much higher risk of economic and technical failure. There is no guarantee that production will begin as anticipated or at all or that anticipated production costs will be achieved. Failure to commence production would have a material adverse impact on the Company's ability to generate revenue and cash flow to fund operations. Failure to achieve the anticipated production costs would have a material adverse impact on the Company's cash flow and future profitability.

The Company further cautions that the July 2015 NI 43-101 Tuvatu PEA Technical Report is preliminary in nature. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that the Tuvatu PEA will be realized.

## SELECTED FINANCIAL INFORMATION

### Summary of Quarterly Results

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total assets	\$ 73,985,216	\$ 74,512,513	\$ 76,227,959	\$ 76,926,985
Exploration and evaluation assets	46,791,113	45,600,897	44,959,283	42,408,514
Working capital	23,788,426	25,580,311	27,760,109	31,170,889
Interest income	93,551	86,438	80,801	83,396
Net loss for the period	(514,347)	(578,733)	(611,596)	(516,263)
Comprehensive income (loss) for the period	(723,486)	(1,781,294)	(1,067,552)	72,799
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Total assets	\$ 76,428,976	\$ 77,160,200	\$ 41,235,619	\$ 41,716,632
Exploration and evaluation assets	40,446,880	39,886,897	38,622,183	38,835,612
Working capital (deficit)	33,019,877	34,381,357	(1,102,558)	(397,541)
Interest income	88,729	26,641	14,648	51,242
Net loss for the period	(560,707)	(718,678)	(1,237,850)	(304,125)
Comprehensive (loss) income for the period	(1,067,932)	(224,484)	(1,142,650)	(1,394,635)
Basic and diluted loss per share	(0.01)	(0.01)	(0.02)	(0.01)

The focus of the Company over the periods presented has consistently been the exploration and development of its Fijian exploration and evaluation assets. The differential between net and comprehensive loss in each period reflects the translation adjustment of the assets and liabilities of the Company's subsidiaries, Lion One Limited, which is maintained in Fijian dollars and Lion One Australia Pty Ltd., which is denominated in Australian dollars.

### Results of Operations for the six months ended December 31, 2017 compared to 2016

The comprehensive loss for the six-month period ended December 31, 2017 was \$2,504,780 (2016 - \$1,292,416). Significant changes to the comprehensive loss are explained as follows:

- Investor relations expenses have increased by \$15,328 to \$106,418 (2016 - \$91,090) as the Company reinstated and increased investor relations staff salaries subsequent to completion of the September 2016 equity financing.
- Management fees have increased by \$52,063 to \$143,228 (2016 - \$91,165) as a result of reinstated and increased compensation to the senior management team subsequent to completion of the prior year equity financing.
- Professional fees increased by \$79,307 to \$146,696 (2016 - \$67,389) as a result of increase in legal fees and salaries due to higher head count compared to prior year.
- Share-based payments expense of \$216,346 (2016 - \$656,857) has decreased due to the recognition of the value over the vesting period of options granted in prior periods.
- Travel decreased by \$17,906 to \$55,894 (2016 - \$73,800) due to travel related to prior year equity financing.

- During the six-month period ended December 31, 2017, the Company recognized a foreign exchange loss of \$1,411,700 on its net assets denominated in Fijian and Australian dollars reflecting a weakening of the Fijian dollar and Australian dollar against the Canadian dollar since June 30, 2017. A loss of \$13,031 was recognized in the comparative period.

### **Results of Operations for the three months ended December 31, 2017 compared to 2016**

The comprehensive loss for the three-month period ended December 31, 2017 was \$723,486 (2016 - \$1,067,932). Significant changes to the comprehensive income are explained as follows:

- Investor relations expenses have increased by \$11,360 to \$63,737 (2016 - \$52,377) as the Company reinstated and increased investor relations staff salaries subsequent to completion of the September 2016 equity financing.
- Management fees increased by \$6,697 to \$78,584 (2016 - \$71,887) due to additions to management and the technical team and as a result of reinstated salaries and increased compensation to the senior management team subsequent to completion of the prior year equity financing.
- Share-based payments expense of \$116,190 (2016 - \$259,324) has decreased due to the recognition of the value over the vesting period of options granted in prior periods.
- During the three months ended December 31, 2017, the Company recognized a foreign exchange loss of \$209,139 on its net assets denominated in Fijian and Australian dollars reflecting a weakening of the Fijian dollar and a strengthening of the Australian dollar against the Canadian dollar since September 30, 2017. A gain of \$507,225 was recognized in the comparative period.

### **Cash flows for the period ended December 31, 2017 compared to 2016**

Cash has decreased by \$4,269,085 to \$24,016,238 at December 31, 2017 from a balance of \$28,285,323 as at June 30, 2017.

Cash outflows from operating activities decreased by \$713,878 to \$909,697 (2016 - \$1,623,575). This is consistent with higher cash outflows in the prior period due to receipt of the September 2016 private placement proceeds and settlement of accumulated payables during the prior period.

Cash outflows from investing activities increased to \$3,188,694 (2016 - \$1,319,945) as the Company's Tuvatu Gold Property development accelerates.

Cash inflows from financing activities decreased to \$21,000 (2016 - \$36,202,917) as prior period includes September 2016 private placement.

### **Financial Position**

Receivables increased by \$134,364 to \$363,615 (June 30, 2017 - \$229,251) due to a higher receivable of input credits under the Value-Added Tax ("VAT") program with the Government of Fiji. The Company remits its VAT return annually and anticipates recovering the VAT credits. Current liabilities decreased by \$132,482 to \$637,731 (2016 - \$770,213) due to repayment of accumulated amounts payable, including amounts due to related parties, out of equity financing proceeds received in the prior year.

Shareholders' equity decreased by \$2,111,325 to \$73,309,293 (June 30, 2017 - \$75,420,618) which reflects the shares issued on exercise of stock option and the comprehensive loss recognized for the period offset by share-based payments.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2017, the Company had a working capital of \$23,788,426 including cash of \$24,016,238 as compared to working capital of \$27,760,109 including cash of \$28,285,323 as at June 30, 2017. The Company believes it has adequate financing for the next twelve months due to net cash proceeds of \$36,195,917 raised under the private placement completed during the prior period.

The Company's continued development is contingent upon its ability to raise sufficient financing. There are no guarantees that additional sources of funding will be available to the Company; however, management is committed to pursuing all possible sources of financing in order to execute its business plan including new equity issues and debt issuances. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control.

## OUTSTANDING SHARE DATA

At the date of this report the Company has 101,782,044 issued and outstanding common shares, 41,536,436 warrants and 7,458,666 outstanding stock options.

## OFF STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

At December 31, 2017, the Company had no material off statement of financial position arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## PROPOSED TRANSACTIONS

Other than as disclosed elsewhere in this document, the Company does not have any proposed transactions.

## RELATED PARTY TRANSACTIONS

The financial statements include the financial statements of Lion One Metals Limited and its 100% owned subsidiaries American Eagle Resources Inc. (Canada), Laimes International Inc. (BVI), Auksas Inc. (BVI), Lion One Limited (Fiji), Lion One Australia Pty Ltd. (Australia) and Piche Resources Pty Ltd. (Australia).

Key management personnel is comprised of Walter Berukoff, Chief Executive Officer, Hamish Greig, Vice-President, Stephen Mann, Managing Director, Ian Chang, Chief Development Officer, Tony Young, Chief Financial Officer, Stephanie Martel, Vice President Administration, and Directors of the Company. The remuneration of the key management personnel is as follows:

	2017	2016
Payments to key management personnel:		
Cash compensation	\$ 466,564	\$ 243,825
Share-based payments	312,657	805,948

During the period ended December 31, 2017, the Company paid \$90,000 (2016 - \$90,000) in rent to Cabrera Capital Corp. ("Cabrera"), a company controlled by a director of the Company. As at December 31, 2017, the Company had a payable of \$47,489 due (June 30, 2017 - \$35,316) to Cabrera.

During the period ended December 31, 2017, the Company paid professional services fees of \$17,693 (2016 - \$20,893) to a management services company owned by a director of the Company's subsidiary.

During the period ended December 31, 2017, the Company paid directors' fees of \$11,500 (2016 - \$8,000) to non-executive board members.

As at December 31, 2017, the Company has a payable of \$30,268 (June 30, 2017 - \$6,100) due to Red Lion Management Ltd., a company controlled by a director of the Company, for expenses incurred on behalf of the Company. Accounts payable due to related parties are unsecured, non-interest bearing, and are due on demand.

**CRITICAL ACCOUNTING ESTIMATES**

The Company's accounting policies are described in Notes 2 and 3 of its consolidated financial statements for the year ended June 30, 2017. The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates. Management considers the following estimates to be the most critical in understanding the judgments and estimates that are involved in the preparation of the Company's consolidated financial statements and the uncertainties that could impact the results of operations, financial condition and cash flows:

*Functional currency*

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 and incorporate the Canadian dollar, Fijian dollar and Australian dollar as detailed in Note 2 of the condensed consolidated interim financial statements for the period ended December 31, 2017.

*Exploration and evaluation assets*

The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about its projects. 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 user is advised to refer to the risks of the Company discussed in the Annual Information Form for the year ended June 30, 2017 which discuss factors that could impair the Company's ability to develop its exploration and evaluation assets in the future.

*Income taxes*

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.

*Equity measurements*

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.

**New standards not yet adopted****IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments ("IFRS 9") which will replace IAS 39, Financial Instruments ("IAS 39"). This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition and measurement of financial instruments with two classification categories: amortized cost and fair value. As well, under the new standard a single impairment method is required, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes a substantially reformed approach to hedge accounting that aligns accounting more closely with risk management. The Company is assessing IFRS 9's impact on its financial statements and has not yet determined the impact.

**IFRS 16 Leases**

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption provided that IFRS 15 is also adopted. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and liability calculated using a prescribed methodology. The Company is assessing IFRS 16's impact on its financial statements and has not yet determined the impact.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments of the Company comprise cash, restricted cash, receivables, deposits, and accounts payable and accrued liabilities. The carrying values of these financial instruments do not materially differ from their fair values due to their ability for prompt liquidation or their short terms to maturity.

### *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.

Receivables mainly consist of Goods and Services Tax ("GST") receivable from the Government of Canada, GST receivable from the Government of Australia, and value added tax receivable from the Government of Fiji. The Company has not had issues with respect to collectability of these amounts and believes that the credit risk concentration with respect to receivables is minimal.

### *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 December 31, 2017, the Company had working capital of \$23,788,426 and believes it has adequate financing for the next twelve months.

### *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 exploration work occurs in Fiji and Australia and is conducted in Canadian dollars, Australian dollars and Fijian dollars. As such, the Company is exposed to foreign currency risk in fluctuations 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.

#### 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.



**RISK FACTORS**

Prior to making an investment decision, investors should consider the investment risks set out in the Annual Information Form ("AIF"), located on SEDAR at [www.sedar.com](http://www.sedar.com), which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of the Company consider the risks set out in the AIF to be the most significant to potential investors in the Company, but are not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Directors are currently unaware, or which they consider not to be material in relation to the Company's business, actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

**INTERNAL CONTROLS OVER FINANCIAL REPORTING****Disclosure Controls and Procedures ("DC&P")**

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD & A and the related consolidated financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. The Company's certifying officers conducted or caused to be conducted under their supervision an evaluation of the disclosure controls and procedures as required under Canadian Securities Administration regulations, as at December 31, 2017. Based on the evaluation, the Company's certifying officers concluded that the disclosure controls and procedures were effective to provide a reasonable level of assurance that information required to be disclosed by the Company in its annual filings and other reports that it files or submits under Canadian securities legislation is recorded, processed, summarized and reported within the time period specified and that such information is accumulated and communicated to the Company's management, including the certifying officers, as appropriate to allow for timely decisions regarding required disclosure.

It should be noted that while the Company's certifying officers believe that the Company's disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

**Internal Control over Financial Reporting ("ICFR")**

The Company's certifying officers acknowledge that they are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

On April 12, 2017, the Company appointed Mr. John F. Robinson to the Board of Directors. Mr. Robinson, CPA, CA, is an independent director and will serve on the Company's Audit Committee. Consequently, the Audit Committee is wholly independent and financially literate.

*Limitations of Controls and Procedures*

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

**INFORMATION REGARDING FORWARD LOOKING STATEMENTS**

This Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements. Forward-looking statements include but are not limited to the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of current exploration activities, conclusions or economic evaluations, changes in project parameters as plans continue to be refined, possible variations in grade and or recovery rates, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes or other risks of the mining industry, delays in obtaining government approvals or financing or incompleteness of development or construction activities, risks relating to the integration of acquisitions, to international operations, and to the prices of gold and other metals. While the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.

**ADDITIONAL INFORMATION**

Additional information regarding the Company can be found at [www.sedar.com](http://www.sedar.com) and the Company's website [www.liononemetals.com](http://www.liononemetals.com).

**SCHEDULE "A"****LION ONE METALS LIMITED  
TENEMENT LISTING**

<b>TENEMENT DESCRIPTION</b>	<b>TENEMENT NUMBERS <sup>(1)</sup></b>	<b>PERCENTAGE INTEREST</b>	<b>CHANGES IN THE QUARTER</b>
<b>FIJI</b>			
<b>TUVATU GOLD PROJECT, VITI LEVU</b>			
Tuvatu	SML 62	100%	
Tuvatu	SPL 1283	100%	
Yavuna	SPL 1296	100%	
<b>VITI LEVU</b>			
Nagado	SPL 1465	100%	Renewal approved
Navilawa	SPL 1412	100%	The Company has been notified it is the successful tenderer for Navilawa.
<b>SOUTH AUSTRALIA</b>			
Olary Creek	EL 5928	51% <sup>(2)</sup>	An application for a 2 year extension to February 2020 was received.
<b>ARGENTINA</b>			
<b>SIERRA CUADRADA JOINT VENTURE</b>			
Mamuny 1	15888/10	100%	
Mamuny 2	15889/10	100%	
Mamuny 3	15890/10	Under application	
Mamuny 4	15891/10	Under application	

<sup>(1)</sup> Tenured ground held in Fiji is held under Special Prospecting Licenses (SPL's) and a Special Mining License (SML), those held in Australia are held under an Exploration License (EL), and those held in Argentina are held as Manifestations.

<sup>(2)</sup> Under the Olary Creek Farm-In and Joint Venture Agreement ("Olary Creek JV"), the Company maintains a 51% ownership of the tenement. The Company has a 47% interest in the Olary Creek JV which consists of a 25% free carried interest to the decision to mine and a 22% contributing interest. Refer to the audited consolidated financial statements for the year ended June 30, 2017 for additional information as filed under the Company's profile at [www.sedar.com](http://www.sedar.com).