

# SCARSDALE EQUITIES LLC

MEMBER FINRA, SIPC

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## Lion One Metals' exploration of the Navilawa caldera should blossom in 2020. We maintain a Buy rating and price target.

### Tuvatu Gold Project profile:

Lion One Metals Limited's (TSX VENTURE: LIO, ASX: LLO, OTCQX: LOMLF, "Lion One") 100% owned and permitted Tuvatu Gold Project is located only 17 km from the Nadi International Airport, on the main island of Viti Levu, in Fiji. The project is in the Navilawa caldera, on trend with the caldera-situated Vatukoula gold mine, which has produced 7 million ounces of gold in the last 85 years. The Tuvatu Gold Project has an Indicated resource of 1.1 Mt, grading 8.46 g/t, for 299,500 oz of gold; and an Inferred gold resource of 1.5 Mt, grading 9.7 g/t, for 468,000 oz of gold, at a 3.0 g/t gold cutoff grade.

### Rapidly expanding a comprehensive exploration program in 2020:

- Correlating BLEG Geochem and CSAMT surveys to select drill targets.
- Increasing the number of surface drill rigs to three in the Navilawa Caldera.
- Expanding trenching and benching surface sampling throughout the caldera.
- Accelerating feedback of assays at its new state-of-the-art lab at a lower cost.
- Adding staff and increasing shifts on drill rigs and at the assay lab.
- Infilling earlier CSAMT line surveys to improve imagery.

### Detail summary of drill fleet and targeting:

- **Drill Rig #1** – Currently testing depth of West Lodes; depending on results, will move to complete drill holes **TUDDH494** and **TUDDH495** at Tuvatu Main.
- **Drill Rig #2** – Refitting drill rig for shallow surface drill testing, likely to commence at the Kingston-Biliwi prospect, in the coming weeks.
- **Drill Rig #3** – Second deep-drill rig (from the same manufacturer as Drill Rig #1) to arrive in six to eight weeks to test Banana Creek target.

Lion One is planning to drill at least 10,000 meters in 2020. We believe that with increasing shifts, depending on the timing of the second and third drill rig and the onset of the Fall wet season, they could potentially double this goal. In addition, they plan to continue an aggressive surface sampling campaign to collect ~10,000 samples, along with infill CSAMT lines, improving the targeting of drill holes. In addition, targeting of holes will be improved and accelerated with faster turn-around time on assays, at its new state-of-the-art lab, of drill and surface samples (reducing turnaround time to 5 days from 4 to 6 weeks). Though they will be adding staff for exploration and the lab, they will be in complete control of these activities at a significantly reduced cost. Earlier BLEG Geochem and CSAMT surveys, drilling at Tuvatu and geologic modeling are providing a firm basis for an aggressive caldera-wide exploration program at Navilawa in 2020. We maintain a Buy rating and our price target to C\$2.25 per share.



### Lion One Metals Limited

TSX – V:

OTCQX:

LIO

LOMLF

May 4, 2020

Rating:

Buy

Price Target:

C\$2.25

Price (5/4/20):

C\$1.31

52-Week Range:

C\$0.62-2.14

Ave. volume (3 mos.):

218,379

Cash<sup>(1)</sup>:

C\$15.0M

Debt:

C\$0.0M

Market Cap:

C\$147.0M

Enterprise Value:

C\$132.0M

Shares Outstanding:

118.0M

Shares Diluted<sup>(2)</sup>:

140.3M

2Q20 Rev:

C\$0.0M

FY19 Rev:

C\$0.0M

Insider Owners

22.0%

Institutional Owners<sup>(3)</sup>

28.0%

(1) Lion One, April, 2020

(2) Options & Warrants on Page 7

(3) Analyst est.

### Stock Performance



Source: Worden

### Company Description

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

See Page 8 for analyst certification and important disclosures.

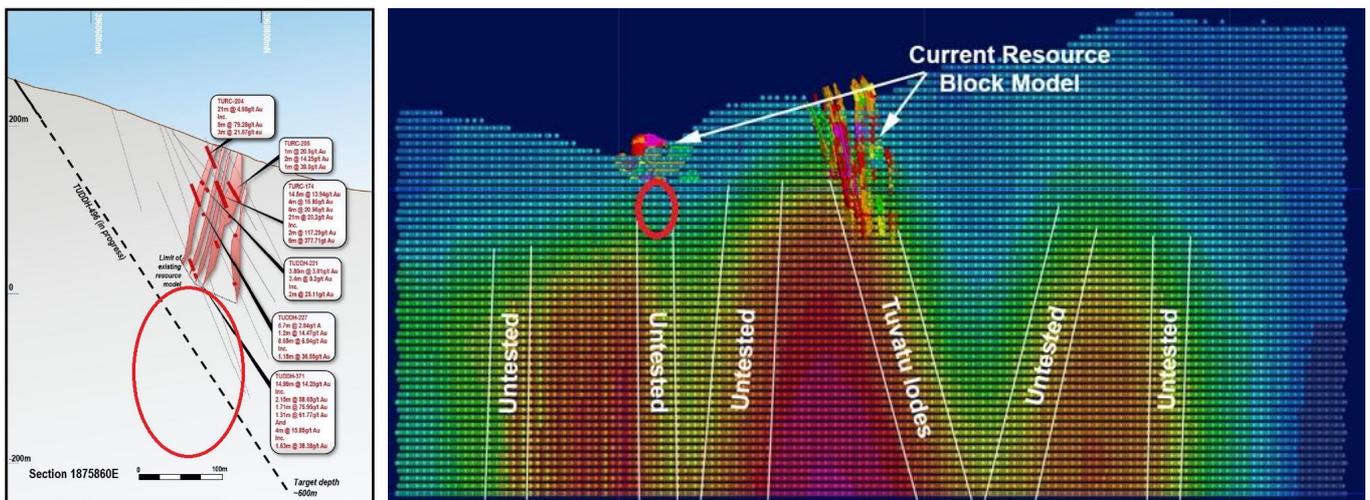
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**Investment Thesis: Exploration Program to Blossom in 2020**

We believe that Lion One Metals Limited (TSX VENTURE: LIO, ASX: LLO, OTCQX: LOMLF, “Lion One”) may soon produce drill results that may eventually lead to the doubling of the Tuvatu resource, consistent with our initial investment thesis. This would include the completion of drill hole **TUDDH496** currently underway, potentially extending the high-grade gold West Tuvatu Lodes (Murau and Snake), plus the completion of **TUDDH494** and **TUDDH495** testing deeper extensions of the Tuvatu Main Lodes. All three drill holes are now penetrating the targeted drill areas and the results should be assayed in the near future.

Lion One moved its surface drill rig to the West Tuvatu Lodes when it stopped drilling holes **TUDDH494** and **TUDDH495** at 748.6 and 768.7 meters, respectively, pending the arrival of NQ-sized drill rods, to complete HQ-sized drilling. Drill hole **TUDDH496**, a shallower and higher angle hole, is currently targeting extensions of the high-grade gold West Tuvatu Lodes (please see the graphic below). This drill hole is now at about 300 meters of its targeted depth of 600 meters and has crossed a number of targeted lodes. While these initial intersections have not shown visible gold, they will be assayed along with the remainder of the hole, with assay results expected in the coming weeks. Should they encounter good results, they may complete follow-on drilling at the West Tuvatu Lodes, or return to targeting extensions of the Tuvatu Main Lodes by completing drill holes **TUDDH494** and **TUDDH495**. This drill rig (Drill Rig #1) has the potential to drill to a depth of 1,000 to 1,500 meters.

**TUDDH496 in process at Tuvatu West Lodes (left), Leapfrog of Tuvatu West Lodes and Main Deposit (right)**



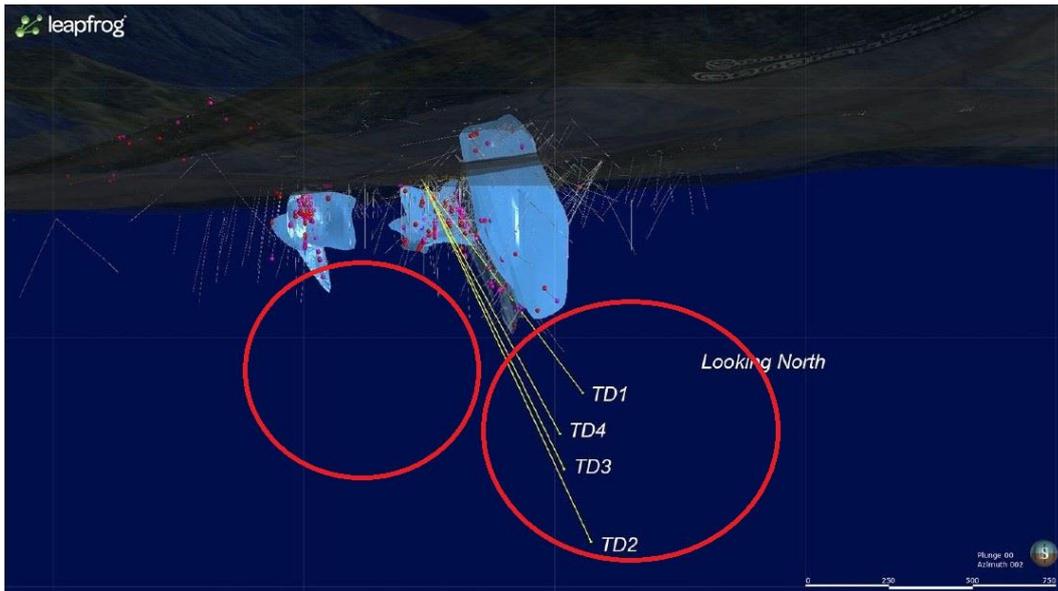
Source: Lion One Metals, Press releases dated April 30, 2020 and February 5, 2020, Analyst

Prior to commencement of **TUDDH494** and **TUDDH495**, drill hole **TUDDH160**, at 332.5 meters intersecting 3.72 meters grading 285.49 g/t gold (or 1,062.0 gram-meters), was the best drill hole to date. This intercept was below the current deposit. Later, drill hole **TUDDH207**, at 301.45 meters, intersected 7.9 meters grading 14.76 g/t gold. Both of these intercepts were “showing continuity of very high-grade material” suggesting that the gold lodes could extend deeper.

**TUDDH493** (identified as “**TD1**” in the graphic on the following page) was the first in a series of four-planned deep diamond drill holes, and was drilled to a depth of 536.9 meters. At 322.17 meters, **TUDDH493** intercepted a 3.83-meter intersection in the URW1 lode grading 10.21 gpt gold. More importantly, **TUDDH493** at a depth of 422.53 meters intercepted a 4.29-meter intersection in the UR2 lode grading 33.22 gpt gold, which included a 0.31-meter intercept grading 322.0 gpt gold. This deeper intercept was 70 meters below Tuvatu’s current resource.

**TUDDH494** (identified as “**TD2**” in the graphic below) targeting a depth of 1,000 meters and the Tuvatu Main UR2 lode, is potentially 75 meters below drill hole **TUDDH493**’s 4.29-meter intersection in the UR2 lode grading 33.22 gpt gold. **TUDDH494** has the potential to extend the deposit an additional ~140 meters below the Tuvatu’s existing resource. **TUDDH494** was stopped at a depth of 748.6 meters.

**Proposed 2019 Drill Program Cross Section at the Tuvatu Gold Deposit**  
**(Please note shallow drill holes at West Lodes now being tested by TUDDH496 to the left.)**



Source: Lion One Metals Limited, Press Release dated October 1, 2019, Analyst

Meanwhile, Lion One commenced drill hole **TUDDH495** (commenced subsequently to the above graphic) which is also targeting lodes intersections of deeper lode extensions of the Tuvatu deposit at a depth of 800 to 1,000 meters. **TUDDH495** was stopped at a depth of 768.7 meters.

As all three drill holes, **TUDDH494**, **TUDDH495** and **TUDDH496**, are either drilling through, or were stopped, in altered areas of targeted extensions of gold mineralized lodes, it appears to us that assay results from any one of these drill holes could increase expectations for expansion of the Tuvatu resource. Should results from drill hole **TUDDH496** merit followup, we expect the drill rig to remain on the West Lode target and proceed with deeper step-out drilling. Of equal interest is returning to complete unfinished drill holes **TUDDH494** and **TUDDH495**. In either or all three drill holes, in our opinion, Lion One may demonstrate in the near term the potential to eventually double the size of the Tuvatu resource.

**Refitting underground drill, the Surface Drill Rig #2, for shallow surface drilling**

We are impressed with Lion One taking the initiative to refit their underground drill rig for surface drilling. Following BLEG Geochem surveying and updating the geologic model, Lion One now has at least two dozen exploration targets over the Navilawa Caldera. Refitting is expected to be completed in the coming weeks. Drill Rig #2 should have the ability to drill to depths of 200 to 250 meters. Depending on the selection of drill targets within varied topography, we anticipate that there will be opportunities to test deeper extensions of lodes that could be traced from the surface exposed in trenching or benching road cuts. We believe that this smaller drill rig, combined with the faster turnaround time on assay results from their lab, may prove helpful to swiftly accelerate drill coverage over the entire Navilawa caldera.

***Second deep-drill Drill #3 on way from South Korea***

The second deep-drill rig on its way from South Korea was manufactured by the same company that built Drill Rig #1. This is important as it provides economies of scale in backing up equipment and replacement parts to maintain economic and consistent drill programs. Lion One management reports that Drill Rig #3 is a new drill rig, and an upgrade of Drill Rig #1, also with the potential to complete effective directional-drilling to depths of 1,000 to 1,500 meters.

We believe that Drill Rig #3 will take six to eight weeks to arrive and be mobilized on site. This should provide additional time, important to prioritize drill targets. Lion One has designated targets in the Banana Creek area for initial drilling by Drill Rig #3. This may be important to demonstrate to the market the potential for “Tuvatu-style gold lodes” to extend north across the Navilawa caldera. Should Lion One experience success at drill hole **TUDDH496** in the West Tuvatu Lode, we believe that opposed to more speculative drill holes developing in the Banana Creek area, Lion One may consider deploying Drill Rig #3 to test deeper targets at the Tuvatu Main Deposit.

***Other exploration activities in the Navilawa caldera in 2020***

Lion One previously said that they intended on completing additional CSAMT lines to infill the earlier widely spaced lines completed in the first comprehensive geophysical survey of the Navilawa caldera. This is important to support areas of interest, identify potentially mineralized structures, and increase the precision of prioritizing the drill target. As with the exploration of the Tuvatu deposit to the south, the geophysical surveys are to be correlated with sampling of surface trenching and benching of road cuts, to assist in the prioritization of drill targets for Drill Rig #2 and Drill Rig #3. Lion One management said that they intend on gathering ~10,000 surface samples to be added to the Navilawa caldera database.

***Concluding Comments on Lion One’s exploration plans for the Navilawa caldera in 2020***

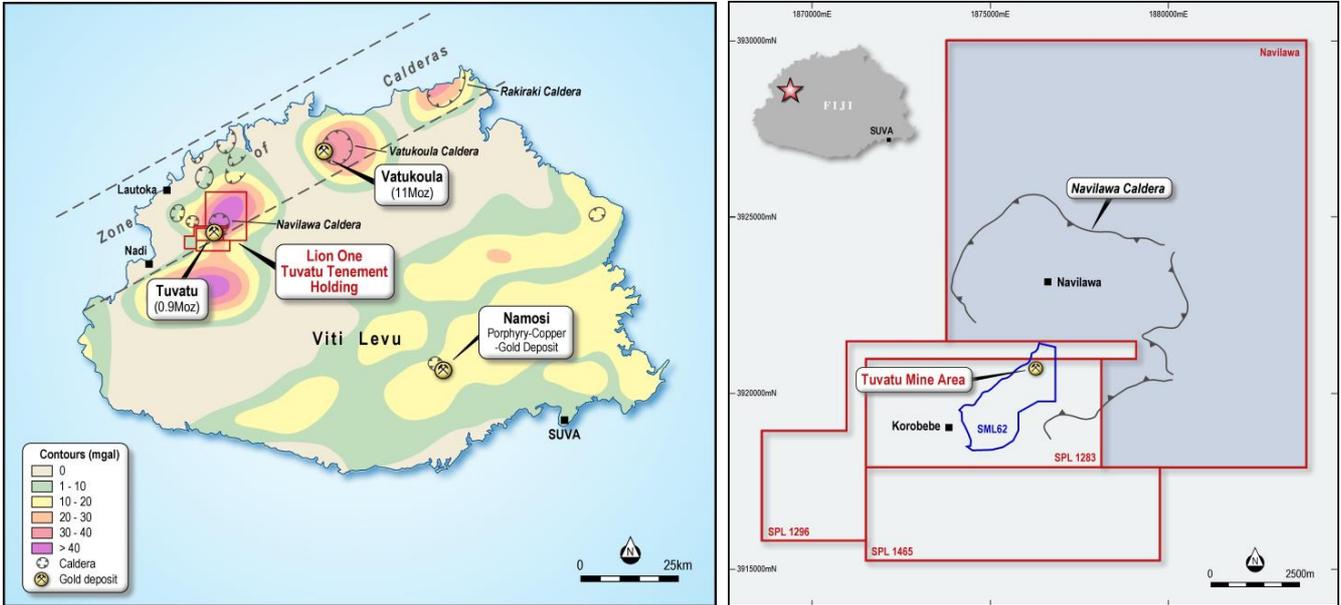
It appears to us that Lion One’s exploration program in the Navilawa caldera could blossom in 2020. We do not believe that the increase in available drill rigs to three from one can be overstated in light of the potential scope of mineralization in the Navilawa caldera. The level of increased drilling activity should exponentially benefit from the increasing level of geologic modeling for drill targeting. In addition, this should be accelerated by both the increase in shifts on the drill rigs and at the lab. We also cannot overstate the potential benefits, in both reduced cost and rapid turn-around time in assays from their lab, and the increased flexibility to fluidly follow up drill results and modify drill targeting. In any case, with the addition of two surface drill rigs in 2020, Lion One moves closer to realizing our initial investment thesis of doubling the Tuvatu resource and revealing the world-class potential of the Navilawa caldera.

**Navilawa Caldera at Sunrise from Nadi, Fiji**



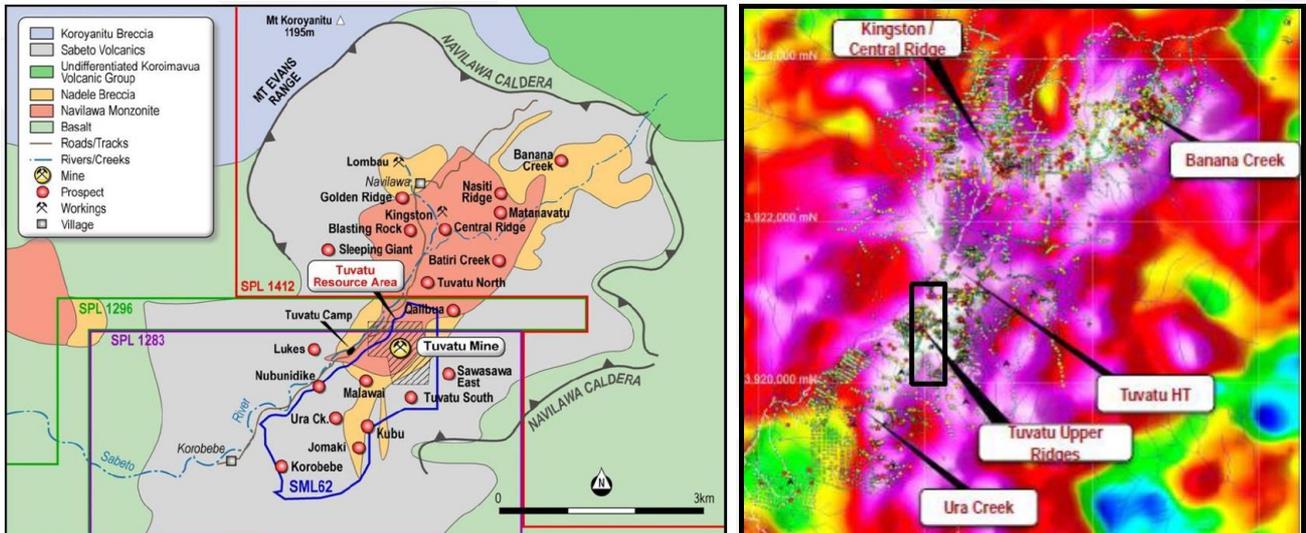
*Source: Analyst, June 2, 2019*

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



Source: Lion One Metals

## District Scale Geology and Exploration (left), Radiometric Anomaly of Navilawa Caldera (right)



Source: Lion One Metals Limited, corporate presentation, March 2019

# SCARSDALE EQUITIES LLC

Lion One Metals Limited (TSX VENTURE: LIO) – Precious Metals Mining

Buy

## Lion One Metals Limited

### Balance Sheet

December 31, 2019

(in Canadian dollars)

	2015FYE 6/30/15	2016FYE 6/30/16	2017FYE 6/30/17	2018FYE 6/30/18	1Q19 9/30/18	2Q19 12/31/18	3Q19 3/31/19	2019FYE 6/30/19	1Q20 9/30/19	2Q20 12/31/19
<b>ASSETS</b>										
<b>Current</b>										
Cash	\$ 4,144,571	\$ 62,154	\$ 28,285,323	\$ 19,574,527	\$ 15,950,863	\$ 12,761,026	\$ 10,503,837	\$ 8,907,418	\$ 7,731,632	\$ 13,586,015
Short term investments	-	-	-	-	-	-	-	-	-	3,000,000
HST and VAT recoverable	-	-	-	-	-	-	-	-	-	-
Due from related parties	-	-	-	-	-	-	-	-	-	-
Receivables	34,767	27,877	229,251	169,336	297,727	545,785	568,962	549,234	115,814	96,166
Prepaid expenses	12,615	10,502	15,748	80,068	1,185,945	1,097,231	8,311	62,790	23,482	106,982
Deposits	-	-	-	-	-	-	-	-	-	-
<b>Current Assets</b>	<b>4,191,953</b>	<b>100,533</b>	<b>28,530,322</b>	<b>19,823,931</b>	<b>17,434,535</b>	<b>14,404,042</b>	<b>11,081,110</b>	<b>9,519,442</b>	<b>7,870,928</b>	<b>16,789,163</b>
Restricted cash	103,911	28,905	29,904	29,199	28,068	28,848	28,449	27,531	26,823	27,366
Right-of-use asset	-	-	-	-	-	-	-	-	542,732	503,966
Exploration advances and deposits	62,854	1,928,230	1,940,843	1,918,289	1,880,818	1,997,159	1,953,390	3,001,543	3,048,444	3,046,162
Other Assets	-	-	-	-	-	-	-	-	-	505,127
Exploration and evaluation assets	36,069,453	38,622,183	44,959,283	50,649,007	51,608,792	55,820,584	56,659,758	56,352,590	56,786,168	57,772,643
Property and equipment	670,905	555,768	767,607	1,576,200	1,527,608	2,638,310	3,715,779	2,977,200	3,078,900	3,120,475
<b>Total Assets</b>	<b>\$ 41,099,076</b>	<b>\$ 41,235,619</b>	<b>\$ 76,227,959</b>	<b>\$ 73,996,626</b>	<b>\$ 72,479,821</b>	<b>\$ 74,888,943</b>	<b>\$ 73,438,486</b>	<b>\$ 71,878,306</b>	<b>\$ 71,353,995</b>	<b>\$ 81,764,902</b>
<b>LIABILITIES</b>										
<b>Current</b>										
Accounts payable and accrued liabilities	\$ 258,569	\$ 257,714	\$ 713,366	\$ 374,442	\$ 326,666	\$ 644,865	\$ 421,373	\$ 383,986	\$ 427,046	\$ 622,562
Accounts payable, due to related parties	54,920	945,377	56,847	-	-	-	-	-	129,065	131,664
<b>Current Liabilities</b>	<b>313,489</b>	<b>1,203,091</b>	<b>770,213</b>	<b>374,442</b>	<b>326,666</b>	<b>644,865</b>	<b>421,373</b>	<b>383,986</b>	<b>556,111</b>	<b>754,226</b>
Long-term provisions	29,259	32,573	37,128	39,601	38,872	40,779	41,031	40,496	459,065	423,796
	342,747	1,235,664	807,341	414,043	365,538	685,644	462,404	424,482	1,015,176	1,178,022
Shareholder equity	40,756,329	39,999,955	75,420,618	73,582,583	72,114,283	74,203,299	72,976,082	71,453,824	70,338,819	80,586,880
<b>Total Liabilities and Equity</b>	<b>\$ 41,099,076</b>	<b>\$ 41,235,619</b>	<b>\$ 76,227,959</b>	<b>\$ 73,996,626</b>	<b>\$ 72,479,821</b>	<b>\$ 74,888,943</b>	<b>\$ 73,438,486</b>	<b>\$ 71,878,306</b>	<b>\$ 71,353,995</b>	<b>\$ 81,764,902</b>

Source: Lion One Metals Limited

## Lion One Metals Limited

### Income Statement

December 31, 2019

(in Canadian dollars)

	2015FYE 6/30/15	2016FYE 6/30/16	2017FYE 6/30/17	2018FYE 6/30/2018	1Q19 9/30/2018	2Q19 12/31/2018	3Q19 3/31/2019	4Q19 6/30/19	2019FYE 6/30/19	1Q20 9/30/19	2Q20 12/31/19
<b>EXPENSES</b>											
Consulting fees	\$ 135,103	\$ 110,125	\$ 72,750	\$ 55,250	\$ 11,250	\$ 11,250	\$ 11,250	\$ (22,500)	\$ 45,000	\$ 11,250	\$ 11,250
Depreciation	4,618	1,024	598	-	-	-	-	38,766	-	38,767	38,766
Directors fees	24,000	20,000	17,750	23,000	5,750	5,750	5,750	(11,500)	23,000	5,750	5,750
Foreign exchange (gain) loss	(2,511)	2,220	110,088	(61,776)	72,009	(227,389)	113,381	22,973	43,631	49,777	(19,026)
Licenses, dues and fees	37,600	37,870	37,330	45,671	19,267	10,745	11,730	(29,316)	60,115	19,042	12,426
Interest expense	-	-	-	-	-	-	-	-	-	11,407	10,731
Investor relations	197,182	208,583	175,376	454,782	110,844	158,754	100,598	(265,847)	443,789	159,748	104,349
Management fees	155,284	109,088	215,869	272,642	71,803	75,771	68,775	(157,992)	289,630	85,436	58,357
Office and administrative	408,777	347,296	391,170	368,398	92,147	118,731	88,651	(177,608)	395,930	105,067	121,921
Professional fees	295,959	228,065	185,476	493,858	124,159	103,796	86,256	(220,066)	437,087	84,307	94,145
Property costs	60,695	2,020	-	-	-	-	-	-	-	-	-
Rent	286,606	189,145	188,379	229,671	45,000	45,000	45,000	(135,000)	180,000	-	-
Shareholder communication	148,767	138,838	163,539	180,370	45,963	72,020	35,077	(79,785)	173,250	46,552	73,275
Share-based payments	228,403	220,413	1,036,191	477,283	69,012	27,012	210,315	(241,859)	402,948	76,657	64,480
Travel	78,043	46,817	92,295	91,107	4,303	13,677	13,657	(29,002)	45,627	12,752	2,635
<b>Operating loss</b>	<b>(2,058,526)</b>	<b>(1,661,504)</b>	<b>(2,686,811)</b>	<b>(2,630,256)</b>	<b>(671,507)</b>	<b>(415,117)</b>	<b>(790,440)</b>	<b>1,308,736</b>	<b>(2,540,007)</b>	<b>(706,512)</b>	<b>(579,059)</b>
<b>OTHER INCOME</b>											
Listing fee	-	-	-	-	-	-	-	-	-	-	-
Interest income	72,041	72,798	279,567	380,739	98,608	90,165	74,158	(200,141)	318,571	47,980	62,790
Write down	-	(771,648)	-	-	-	-	-	-	-	-	-
Settlement	-	-	-	-	-	-	-	-	-	-	-
<b>Net loss for the period</b>	<b>(1,986,485)</b>	<b>(2,360,354)</b>	<b>(2,407,244)</b>	<b>(2,249,517)</b>	<b>(572,899)</b>	<b>(324,952)</b>	<b>(716,282)</b>	<b>1,108,595</b>	<b>(2,221,436)</b>	<b>(658,532)</b>	<b>(516,269)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>											
Foreign exchange gain (loss)	608,904	1,347,155	120,075	(702,526)	(1,021,048)	2,330,322	(921,149)	(284,745)	(1,060,188)	(611,543)	103,380
<b>Comprehensive income (loss)</b>	<b>\$ (1,377,581)</b>	<b>\$ (1,013,199)</b>	<b>\$ (2,287,169)</b>	<b>\$ (2,952,043)</b>	<b>\$ (1,593,947)</b>	<b>\$ 2,005,370</b>	<b>\$ (1,637,431)</b>	<b>\$ 823,850</b>	<b>\$ (3,281,624)</b>	<b>\$ (1,270,075)</b>	<b>\$ (412,889)</b>
Basic and diluted loss per common share	(0.03)	(0.04)	(0.03)	(0.02)	(0.01)	(0.00)	(0.01)	0.01	(0.02)	(0.01)	(0.00)
Weighted average number of common shares outstanding	60,175,608	60,175,608	92,843,545	101,883,962	102,522,044	102,522,044	102,522,044	162,953,716	102,571,393	103,104,962	117,629,962

Note: Numbers may not balance due to rounding

Source: Lion One Metals Limited

### Stock Options and Warrants as of December 31, 2019

	Number	Exercise price	Expiry date
<b>Stock Options</b>	2,325,000	\$ 1.00	June 30, 2021
	150,000	1.00	April 11, 2022
	1,000,000	1.00	January 26, 2023
	<u>2,840,000</u>	0.75	March 1, 2024
	<u>6,315,000</u>		
	Number	Exercise price	Expiry date
<b>Warrants</b>	14,375,000	\$ 1.20	June 6, 2021

Source: Lion One Metals Limited, Interim Financial Statements for the Period Ended December 31, 2019



(source: stockwatch.com)

### Disclosure Appendix

#### AUTHOR CERTIFICATION

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

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(as of 5/4/2020)	Count	Percent	Investment Banking Relationships	Count	Percent
Buy	10	91%	Buy	10	91%
Neutral	1	9%	Neutral	1	9%
Sell	0	0%	Sell	0	0%

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

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

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

**COMPANY SPECIFIC DISCLOSURES**

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

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

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

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

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<sup>4</sup> Scarsdale Equities LLC expects to receive investment banking compensation from the issuer in the next ninety days.

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**PRICE TARGET METHODOLOGY AND RISKS**

We initially valued Lion One based on the PEA, which included only 352,931 ounces of a total of over 760,000 ounces (at a 3.0 gpt cutoff) in the mine plan. At a gold price of \$1,200 per ounce, this resulted in an After-tax NPV<sub>5%</sub> of US\$86.4 million and an After-tax IRR of 52% (and 18-month payback period). Our view was that Lion One, having identified additional resources, would be able to upgrade their classification and bring them in to the mine plan, effectively doubling the mineable resource. This did not include the speculation of deeper or lateral resource expansion or development elsewhere in the Navilawa caldera. In addition, we did not rely on an increase in the gold price to over \$1,500 to \$1,700 per ounce. The PEA assumed that at a gold price of \$1,400 per ounce, the After-tax NPV<sub>5%</sub> increased to US\$128.95 million with an After-tax IRR of 71% (and 15-month payback period). Should Lion One pursue the original 600 tpd scenario, in addition to our earlier optimism that Inferred resources in the PEA resource estimate be upgraded with underground and in-fill surface drilling, plus the potential of extending the Tuvatu gold deposit 70 to 140 meters deeper or more, plus a deeper extension of the West Tuvatu Lode, and at current gold prices, the economic metrics including NPV, IRR, reduced payback period for capital and extended mine life would all be improved.

Assuming the PEA 600 tpd was the likely scenario, based on our initial valuation assessment, with the doubling of the mineable resource, at a \$1,400 gold price, we might estimate a potential value of US\$257.9 million, or C\$335.0 million, or based on outstanding shares of 117.6 million, would imply a price target of about C\$2.85 per share. As with any technical economic report, they become outdated as soon as published and may not continue to reflect project development or changes in the market.

Presently Lion One has designed a drill program to extend the vertical depth of the Tuvatu resource beyond 1,000 meters, which is about three times the current resource depth. This might imply a potential gold resource target of two to two and one half million ounces of gold at the Tuvatu gold deposit alone. We also believe that an initial modular operation at a 300 tpd scenario at current gold prices could generate cash flow of over US\$10 million annually, which would more than cover current anticipated exploration and corporate overhead, which would reduce the likelihood of additional shareholder dilution. In any event, we anticipate that Lion One will need to fund capital costs of over C\$30 million to complete this 300 tpd production scenario which would entail additional shareholder dilution.

Based on the time elapsed since the production of the PEA and developments at Tuvatu, there have been a significant number of changes. These include additional resource development, expanding the exploration license caldera-wide, enhanced geologic interpretation, acquisition of a drill company with two drill rigs plus the acquisition of a second deep-drill rig, and commissioning of a state-of-the-art assay lab, not to mention a significantly improved gold price. It is clear that Lion One's stock is now trading well beyond a level anticipated in the operating scenario at Tuvatu alone anticipated in the PEA, and is now trending toward a level commensurate with the perspective of the economic potential of the entire Navilawa caldera.

In our discussions with Dr. Hennigh while in Fiji, he could envision multiple Tuvatu-like deposits, at a depth of over 1,000 meters, with caldera-wide potential of 15 to 18 million ounces of gold. Lion One reports that representatives of major companies visiting the project have offered the potential of 10 to 20 million ounces of total gold production. In either case, this is entirely speculative, but we believe that the Tuvatu Gold Project has the potential to match or exceed what has been accomplished at Vatukoula; specifically, 7 million ounces of gold production and a remaining 5 million gold ounce resource, for a total of 12 million ounces of gold, only more efficiently and profitably and in under 85 plus years.

Rather than base our 12-month price target on the exuberance of an eventual 10 to 20-million ounce gold project, we have confidence that a valuation, based on our initial investment thesis on the potential to double the existing Tuvatu deposit appears to be more likely with the deeper drilling at Tuvatu. This has the potential to increase the economic potential of the mine plan as outlined in the initial PEA, at a gold price significantly above that assumed in the PEA. For this reason we believe it to be reasonable to maintain our Buy rating and our 12-month price target to C\$2.25 per share.

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

*“It should be stated... that it is utterly impossible to accurately value any mine, owing to the many speculative factors involved. The best that can be done is to state that the value lies between certain limits, and that various stages above the minimum given represent various degrees of risk. Further, it would be but stating truisms to those engaged in valuing mines to repeat that, because of the limited life of every mine, valuation of such investments cannot be based upon the principle of simple interest; nor that any investment is justified without a consideration of the management to ensue. Yet the ignorance of these essentials is so prevalent among the public that they warrant repetition on every available occasion.”*

Herbert C. Hoover, “Principles of Mining; valuation, organization and administration,” 1909

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