LION ONE METALS LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)
(Unaudited)

FOR THE PERIOD ENDED MARCH 31, 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

		March 31, 2014		**June 30, 2013**
ASSETS				
Current				
Cash	$	8,940,232	$	13,576,266
Receivables (Note 5)		405,980		283,864
Prepaid expenses		22,120		32,610
		9,368,332		13,892,740
Exploration advances and deposits (Note 7)		118,828		111,250
Restricted cash (Note 6)		105,753		103,908
Exploration and evaluation assets (Note 7)		36,161,193		31,686,823
Property and equipment (Note 8)		762,551		728,104
	$	46,516,657	$	46,522,825
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 9)	$	240,205	$	803,383
Long-term provisions (Note 9)		40,483		33,748
		280,688		837,131
Shareholders' equity				
Share capital (Note 10)		60,016,725		59,904,660
Obligation to issue shares (Note 4)		-		49,679
Reserves (Note 10)		18,511,472		18,441,364
Accumulated other comprehensive income		2,941,784		855,366
Deficit		(35,234,012)		(33,565,375)
		46,235,969		45,685,694
	$	46,516,657	$	46,522,825

Nature of operations and going concern (Note 1)
Commitments (Notes 7 and 11)

Approved and authorized by the Board on May 13, 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 INCOME (LOSS)
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended March 31, 2014	Three months ended March 31, 2013	Nine months ended March 31, 2014	Nine months ended March 31, 2013
EXPENSES				
Consulting fees	$ 31,875	$ 25,740	$ 95,625	$ 140,681
Depreciation (Note 8)	2,687	-	8,541	-
Directors fees (Note 11)	6,625	-	6,625	-
Foreign exchange gain	(1,814)	(78,190)	4,205	(1,768)
Licenses, dues and fees	8,388	7,665	27,633	27,574
Investor relations	59,670	116,783	179,637	281,601
Management fees	66,234	63,295	190,383	181,185
Office and administrative	94,877	93,271	292,623	261,957
Professional fees	33,826	171,012	153,423	227,731
Property costs	1,502	-	22,304	-
Rent	47,265	45,000	178,056	135,000
Shareholder communication	29,076	33,398	158,465	119,932
Share-based payments (Note 10)	27,817	101,114	148,777	317,019
Travel	686	4,090	40,612	42,823
Operating loss	(408,714)	(583,178)	(1,506,909)	(1,733,735)
OTHER INCOME				
Interest income	40,815	42,329	121,666	142,101
Settlement (Note 11)	-	-	(283,394)	-
	40,815	42,329	(161,728)	142,101
Net loss for the period	(367,899)	(540,849)	(1,668,637)	(1,591,634)
OTHER COMPREHENSIVE INCOME				
Foreign exchange gain (loss)	1,853,494	(107,637)	2,086,418	488,953
Comprehensive income (loss) for the period	$ 1,485,595	$ (648,486)	$ 417,781	$ (1,102,681)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.03)
Weighted average number of common shares outstanding	60,175,608	48,911,893	60,172,678	48,911,893

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 NINE MONTHS ENDED MARCH 31

		2014		2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$	(1,668,637)	$	(1,591,634)
Non-cash items:				
Depreciation		8,541		-
Foreign exchange loss (gain)		4,205		(1,768)
Share-based payments		148,776		317,019
Changes in non-cash working capital items:				
Receivables		(98,924)		308,886
Prepaid expenses		11,725		8,385
Accounts payable and accrued liabilities		(147,712)		97,227
		(1,742,026)		(861,885)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment		(78,950)		(92,728)
Exploration expenditures		(2,911,967)		(2,088,823)
Exploration advances and deposits		(6,346)		1,778
		(2,997,263)		(2,179,773)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds on issuance of shares		-		100,000
		-		100,000
Effect of exchange rate changes on cash		103,255		1,413
Change in cash during the period		(4,636,034)		(2,940,245)
Cash, beginning of period		13,576,266		15,971,997
Cash, end of period	$	8,940,232	$	13,031,752
Supplementary cash flow information:				
Non-cash transactions:				
Depreciation expense capitalized to exploration and evaluation assets	$	82,939	$	67,545
Share-based payments expense (recovery) capitalized to exploration and evaluation assets		(16,283)		47,401
Accounts payable and accrued liabilities in exploration and evaluation assets		74,989		-
Issuance of shares for obligation on acquisition of Avocet (Note 4)		49,679		-
Transfer of reserves on exercise of stock options		-		41,822

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)

	Share Capital						
	Number	Amount	Obligation to Issue Shares	Reserves	Deficit	Accumulated Other Comprehensive Income	Total
Balance, June 30, 2012	48,868,827	$ 54,118,197	$ -	$ 18,205,973	$ (31,303,977)	$ 932,258	$ 41,952,451
Shares issued on exercise of options	200,000	141,822	-	(41,822)	-	-	100,000
Share-based payments – stock options	-	-	-	194,695	-	-	194,695
Share-based payments – trust shares	-	169,725	-	-	-	-	169,725
Comprehensive loss for the period	-	-	-	-	(1,591,634)	488,953	(1,102,681)
Balance March 31, 2013	49,068,827	54,429,744	-	18,358,846	(32,895,611)	1,421,211	41,314,190
Acquisition of Avocet Resources Limited	11,006,421	5,448,178	49,679	-	-	-	5,497,857
Share-based payments – stock options	-	-	-	82,518	-	-	82,518
Share-based payments – trust shares	-	26,738	-	-	-	-	26,738
Comprehensive loss for the period	-	-	-	-	(669,764)	(565,845)	(1,235,609)
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 Avocet Resources Limited	100,360	49,679	(49,679)	-	-	-	-
Share-based payments – stock options	-	-	-	70,108	-	-	70,108
Share-based payments – trust shares	-	62,386	-	-	-	-	62,386
Comprehensive loss for the period	-	-	-	-	(1,668,637)	2,086,418	417,781
Balance, March 31, 2014	60,175,608	$ 60,016,725	$ -	$ 18,511,472	$ (35,234,012)	$ 2,941,784	$ 46,235,969

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

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, Australia and Argentina.

The Company's head office and principal 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's condensed consolidated interim financial statements and those of its wholly controlled subsidiaries are presented in Canadian dollars.

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 March 31, 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 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, 2013 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.

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
Laimes International Inc.	BVI	100%	Canadian Dollar
Auksas Inc.	BVI	100%	Canadian Dollar
Lion One Limited	Fiji	100%	Fijian Dollar
Lion One Australia Pty Ltd.[1]	Australia	100%	Australian Dollar
Piche Resources Pty Ltd.	Australia	100%	Australian Dollar

[1] Subsequent to the merger completed in June 2013 (Note 4), the Company changed the name of Avocet Resources Limited to Lion One Australia Pty Ltd. ("Lion One Australia").

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 value of shares issued for non-cash transactions is measured by the fair value of the services or goods received unless the market value of the shares issued on the date of issuance is a more reliable estimate. The valuation of shares issued for the acquisition of Avocet Resources Limited, a non-cash transaction, is discussed in Note 4.

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. A detailed discussion of management's estimates with respect to the pricing model is found in Note 10.

3. SIGNIFICANT ACCOUNTING POLICIES

As of July 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted these new and amended standards without any significant effect on its financial statements.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for all fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes additional disclosures regarding fair value measurements.

New standards not yet adopted

The following new standards, amendments to standards and interpretations have been issued and will be effective for the year ended June 30, 2015:

- 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 Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

(Expressed in Canadian Dollars)

4. MERGER WITH AVOCET RESOURCES LIMITED

On December 21, 2012, and as amended March 25, 2013, the Company entered into a Merger Implementation Agreement ("MIA") with Avocet Resources Limited ("Avocet"). Pursuant to the MIA, the Company acquired all of the issued and outstanding shares of Avocet by issuing one common share for every 9.5 Avocet shares.

On June 18, 2013, the Company executed the MIA and acquired the outstanding shares of Avocet by issuing 11,006,421 common shares. In accordance with the Share Scheme of Arrangement between Avocet and Avocet shareholders, Avocet shareholders representing 100,360 common shares, valued at $49,679, elected to receive cash in lieu of shares. Accordingly, the Company sold 100,360 common shares in the period ended March 31, 2014 and remitted the proceeds to the Avocet shareholders.

The net assets of Avocet were valued with reference to the fair market value of the Company's common shares as at June 18, 2013 being $5,497,857. It was determined that, given the inherent difficulty in providing an accurate valuation over unproven exploration and evaluation assets, the valuation of the net assets of Avocet was more reliably determined by reference to the market value of the shares issued.

The net assets of Avocet acquired are as follows:

		Net assets
Cash	$	2,599,396
Receivables		68,828
Prepaids		47,077
Deposits		55,445
Restricted cash		29,238
Property and equipment		16,435
Exploration and evaluation assets		3,220,094
Accounts payable and accrued liabilities		(504,698)
Long-term provisions		(33,958)
Balance, June 18, 2013	$	5,497,857

5. RECEIVABLES

		March 31, 2014		June 30, 2013
GST and VAT receivable	$	389,335	$	255,838
Other receivables		316		-
Administration recoveries		16,329		28,026
Balance, end of period	$	405,980	$	283,864

6. 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.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

March 31, 2014	**Fiji**	**Australia**	**Argentina**	**Total**
Acquisition costs				
Balance, June 30, 2013 and March 31, 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 period	2,130,133	348,049	70,133	2,548,315
Balance, March 31, 2014	11,771,125	350,259	77,511	12,198,895
Cumulative translation adjustment				
Balance, June 30, 2013	(3,062,535)	(32,433)	(3,946)	(3,098,914)
Additions for the period	1,699,211	200,602	26,242	1,926,055
Balance, March 31, 2014	(1,363,324)	168,169	22,296	(1,172,859)
Property total, March 31, 2014	$ 32,322,864	$ 3,391,322	$ 447,007	$ 36,161,193

June 30, 2013	**Fiji**	**Australia**	**Argentina**	**Total**
Acquisition costs				
Balance, June 30, 2012	$ 21,915,063	$ -	$ -	$ 21,915,063
Additions for the year	-	2,872,894	347,200	3,220,094
Balance, June 30, 2013	21,915,063	2,872,894	347,200	25,135,157
Exploration expenditures				
Balance, June 30, 2012	5,992,817	-	-	5,992,817
Additions for the year	3,648,175	2,210	7,378	3,657,763
Balance, June 30, 2013	9,640,992	2,210	7,378	9,650,580
Cumulative translation adjustment				
Balance, June 30, 2012	(3,046,158)	-	-	(3,046,158)
Additions for the year	(16,377)	(32,433)	(3,946)	(52,756)
Balance, June 30, 2013	(3,062,535)	(32,433)	(3,946)	(3,098,914)
Property total, June 30, 2013	$ 28,493,520	$ 2,842,671	$ 350,632	$ 31,686,823

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.

(Expressed in Canadian Dollars)

7. 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.

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	$14,051	$4,200,000	$2,509,080
1465	Dec. 2, 2013	Dec. 1, 2016	31,700	18,938	1,800,000	1,075,320
1467	Nov. 7, 2013	Nov. 7, 2016	11,000	6,571	650,500	388,609
1468	Oct. 2, 2013	Oct. 2, 2016	5,950	3,555	289,500	172,947
			$72,170	$43,115	$6,940,000	$4,145,956

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 ("NSR"). This NSR is payable to a company controlled by a common director.

Surface Lease Agreement

Subsequent to the period ended March 31, 2014, the Company entered into a 21-year Surface Lease agreement with the iTaueki 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 (CAD$597,400) of which FJD$700,000 (CAD$418,180) is due within 21 days of acceptance of the Surface Lease agreement and the balance of FJD$300,000 (CAD$179,220) is due upon the first gold production from mining operations in Tuvatu. An additional lease payment of FJD$30,000 (CAD$17,922) 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 March 31, 2014, the Company has bonds of $43,115 (June 30, 2013 - $25,727) held with the MRD included in exploration advances and deposits on the statement of financial position.

Australian Properties

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.

Certain tenements are subject to a joint exploration agreement ("Cameco JV") with Cameco Australia Pty Ltd. ("Cameco"). The Company is the operator of the Cameco JV under which the parties have contributed equally to the exploration programs. Currently, Cameco has elected to dilute its interest due to budget constraints. Under the Cameco JV agreement, if there is a discovery of a mineral resource containing at least 25,000,000 pounds of U_3O_8, or other minerals with an equivalent value, the area of the resource, plus other ground necessary for the development, will become subject to a separate Development Joint Venture wherein the parties would continue to fund equally. Under the Development Joint Venture Cameco shall have the right to be appointed the operator of the Development Joint Venture area. The Company would remain the operator of all other areas under the Cameco JV.

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Australian Properties (cont'd…)

Ashburton Project, Western Australia (cont'd…)

Saltwater Pool JV, Western Australia

The Company has entered into an agreement with Thundelarra Exploration Limited to earn a 51% interest in certain tenements adjacent to the Ashburton Project in Western Australia. The Saltwater Pool JV area is prospective for uranium, base metals and precious metals. The Company can earn the interest by incurring $1,100,000 in exploration and evaluation expenditures over three years. The tenements are subject to an underlying joint venture agreement between two parties. Upon earning 51%, the Company will be admitted to the agreement with a 51% participating interest.

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:

a) 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
b) Spend $5,000,000 within 4 years to earn a 75% interest in the Fe and Mn rights on the project.

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 period ended March 31, 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 Me 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. 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.

Bonds

As at March 31, 2014, the Company held $47,319 (June 30, 2013 - $55,445) in performance bonds with various Australian authorities on its Australian tenements included in exploration advances and deposits on the statement of financial position.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Argentinean Properties

Cerro Chacon

In March 2012, Lion One Australia signed 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.

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.

8. PROPERTY AND EQUIPMENT

	Furniture and Office Equipment	Motor Vehicles	Building and Equipment	Total
Cost				
Balance, June 30, 2012	$ 92,279	$ 115,545	$ 564,470	$ 772,294
Additions for the year	22,473	48,900	67,648	139,021
Acquired with Avocet	9,460	1,132	5,843	16,435
Cumulative translation adjustment	611	866	3,937	5,414
Balance, June 30, 2013	124,823	166,443	641,898	933,164
Additions for the period	2,112	-	76,838	78,950
Cumulative translation adjustment	8,402	11,082	44,406	63,890
Balance, March 31, 2014	$ 135,337	$ 177,525	$ 763,142	$ 1,076,004
Accumulated depreciation				
Balance, June 30, 2012	$ 35,140	$ 21,280	$ 34,637	$ 91,057
Additions for the year	25,220	27,291	61,498	114,009
Cumulative translation adjustment	74	24	(104)	(6)
Balance, June 30, 2013	60,434	48,595	96,031	205,060
Additions for the period	25,262	23,022	43,196	91,480
Cumulative translation adjustment	5,354	4,389	7,170	16,913
Balance, March 31, 2014	$ 91,050	$ 76,006	$ 146,397	$ 313,453
Net book value				
As at June 30, 2013	$ 64,389	$ 117,848	$ 545,867	$ 728,104
As at March 31, 2014	$ 44,287	$ 101,519	$ 616,745	$ 762,551

(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT (cont'd…)

Total depreciation of $91,480 (2013 - $67,545) has been recognized for the period ended March 31, 2014 of which $82,939 (2013 - $67,545) has been capitalized to the Fiji property assets and $8,541 (2013 - $Nil) has been expensed to the statement of loss and comprehensive income (loss).

9. PROVISIONS

Accounts payable and accrued liabilities		March 31, 2014		June 30, 2013
Trade payables and short-term provisions	$	63,819	$	224,944
Exploration expenditures payable		74,989		498,352
Employee benefits		101,397		80,087
Balance, end of period	$	240,205	$	803,383

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

10. 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 March 31, 2014 or the year ended June 30, 2013.

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 at a deemed value of $0.40 per share. The Trust Agreement stipulates the release of the shares to the beneficiaries upon vesting dates. Share-based payments expense of $62,386 (2013 - $169,725) was recognized during the period for the vesting of shares. As at March 31, 2014, 100,000 common shares (June 30, 2013 – 307,000) remained in trust.

d) Stock options

On December 17, 2012, 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 12, 2012. 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.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd…)

a) Stock options (cont'd…)

Stock option transactions are summarized as follows:

	Number of Shares		Weighted Average Exercise Price
Balance, June 30, 2012	3,638,667	$	0.96
Granted	1,000,000		0.70
Exercised	(200,000)		0.50
Forfeited and expired	(1,075,000)		1.33
Balance, June 30, 2013	3,363,667		0.77
Forfeited and expired	(898,667)		0.55
Balance, March 31, 2014	2,465,000	$	0.85
Balance, March 31, 2014 exercisable	2,060,830	$	0.87

Stock options outstanding as at March 31, 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
	2,465,000		

The Company did not grant any options in the period ended March 31, 2014. During the period ended March 31, 2013, the Company granted 1,000,000 options with a weighted average fair value of $0.45 per option for options granted and vested to directors, employees and consultants.

Total share-based payments recognized in the statement of shareholders' equity for the period ended March 31, 2014 was $70,108 (2013 – $194,695) for incentive options granted and vested net of share-based payments expense reversed upon the cancellation of unvested options. Share-based payments expense of $86,391 (2013 - $147,294) was recognized in the statement of loss and comprehensive income (loss) and a recovery of $16,283 (2013 – expense of $47,401) recorded to exploration and evaluation assets, which relates to employees working on the Tuvatu property.

The following weighted average assumptions were used for the valuation of stock options granted during the period:

	2014	2013
Risk-free interest rate	-	1.27%
Expected life of options	-	5 years
Annualized volatility	-	80%
Dividend rate	-	-

(Expressed in Canadian Dollars)

11. 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	$	499,052	$	463,500
Share-based payments		102,075		255,957

During the period ended March 31, 2014, the Company paid $135,000 (2013 - $135,000) in rent to Cabrera Capital Corp. ("Cabrera"), a company controlled by a director of the Company. As at March 31, 2014, the Company had an advance of $99 (June 30, 2013 – $8,257) with Cabrera.

During the period ended March 31, 2014, the Company paid professionals services fees of $53,437 (2013 - $Nil) to a management services company owned by a director of the Company's subsidiary.

During the period ended March 31, 2014, the Company paid directors' fees of $6,625 (2013 - $Nil) to non-executive board members.

As at March 31, 2014, the amount of $18,304 (June 30, 2013 - $45,338) 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 has been authorized and paid in the period ended March 31, 2014, for a director of the Company, in respect of a claim recently 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. The Directors have elected to fix the amount of this claim and prevent any possibility of escalation beyond this amount by making the relevant payments directly to the taxing authority; in return, the director has waived his right to pursue the matter against the subsidiary or its directors, in favor of the Company. The Company will pursue any and all remedies that may be available to it for recovery of these amounts and the director will cooperate fully with the Company in its pursuit of such remedies.

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.

12. SEGMENTED INFORMATION

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

March 31, 2014		Fiji		Australia		Argentina		Total
Exploration and evaluation assets	$	32,322,864	$	3,391,322	$	447,007	$	36,161,193
Property and equipment		754,657		7,894		-		762,551
	$	33,077,521	$	3,399,216	$	447,007	$	36,923,744

(Expressed in Canadian Dollars)

12. SEGMENTED INFORMATION (cont'd…)

June 30, 2013	Fiji	Australia	Argentina	Total
Exploration and evaluation assets	$ 28,493,520	$ 2,842,671	$ 350,632	$ 31,686,823
Property and equipment	712,204	15,900	-	728,104
	$ 29,205,724	$ 2,858,571	$ 350,632	$ 32,414,927

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

In accordance with IFRS 13 and the amendments to IAS 34, the Company is now required to disclose the fair value of each class of financial assets and liabilities in the condensed consolidated interim financial statements.

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

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 March 31, 2014, the Company had a working capital of $9,128,127.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

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 March 31, 2014, the Company's net foreign denominated financial assets are as follows:

	Foreign currency	Canadian dollar equivalent
Australian Dollar	$ 1,319,449	$ 1,352,567
Fijian Dollar	731,990	437,291

The sensitivity of the Company's comprehensive income (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	March 31, 2014	June 30, 2013
+ 5%	$ 89,493	$ 113,468
- 5%	(89,493)	(113,468)

b) 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.

14. 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 $46,235,969 (June 30, 2013 - $45,685,694). 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 March 31, 2014.