LION ONE METALS LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)
(Unaudited)

FOR THE PERIOD ENDED SEPTEMBER 30, 2016

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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

LION ONE METALS LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)
AS AT

		September 30, 2016		**June 30, 2016**
ASSETS				
Current				
Cash	$	34,630,095	$	62,154
Receivables		52,678		27,877
Prepaid expenses		15,846		10,502
		34,698,619		100,533
Restricted cash (Note 4)		30,120		28,905
Exploration advances and deposits (Note 5)		1,952,759		1,928,230
Exploration and evaluation assets (Note 5)		39,886,897		38,622,183
Property and equipment (Note 6)		591,805		555,768
	$	77,160,200	$	41,235,619
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 7)	$	254,494	$	257,714
Accounts payable, due to related parties (Notes 7, 9)		62,768		945,377
		317,262		1,203,091
Long-term provisions (Note 7)		34,805		32,573
		352,067		1,235,664
Shareholders' equity				
Share capital (Note 8)		96,236,247		60,016,725
Reserves (Note 8)		19,904,105		19,090,965
Accumulated other comprehensive income		4,525,786		4,031,592
Deficit		(43,858,005)		(43,139,327)
		76,808,133		39,999,955
	$	77,160,200	$	41,235,619

Nature of operations and going concern (Note 1)
Commitment (Note 9)

Approved and authorized by the Board on November 10, 2016:

"Walter H. Berukoff" Director *"Stephen Mann"* Director

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

LION ONE METALS LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED SEPTEMBER 30

		2016		2015
EXPENSES				
Consulting fees	$	15,000	$	33,750
Depreciation (Note 6)		598		352
Directors' fees (Note 9)		4,000		6,000
Foreign exchange		(7,414)		(126)
Licenses, dues and insurance		8,357		13,085
Investor relations		38,713		102,254
Management fees		19,278		20,966
Office and administrative		95,688		82,112
Professional fees (Note 9)		33,105		92,964
Property costs		-		1,985
Rent (Note 9)		47,260		47,367
Shareholder communications and filings		39,675		38,351
Share-based payments (Note 8)		397,533		8,754
Travel		53,526		1,333
Operating loss		(745,319)		(449,147)
OTHER INCOME				
Interest income		26,641		4,552
Net loss for the period		(718,678)		(444,595)
OTHER COMPREHENSIVE INCOME				
Foreign exchange gain		494,194		520,858
Comprehensive loss for the period	$	(224,484)	$	76,263
Basic and diluted loss per common share	$	(0.01)	$	(0.01)
Weighted average number of common shares outstanding		66,497,566		60,175,608

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

LION ONE METALS LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)
FOR THE THREE MONTHS ENDED SEPTEMBER 30

		2016		2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$	(718,678)	$	(444,595)
Non-cash items:				
Depreciation		598		352
Foreign exchange (gain) loss		(7,414)		(126)
Share-based payments		397,533		8,754
Changes in non-cash working capital items:				
Receivables		(24,354)		(11,574)
Prepaid expenses		(5,226)		(9,365)
Accounts payable and accrued liabilities		24,006		10,399
Accounts payable, due to related parties		(882,609)		(30,384)
		(1,216,144)		(476,539)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment		(59,938)		-
Exploration expenditures		(358,774)		(485,344)
Exploration advances and deposits		2,832		(1,658,749)
		(415,880)		(2,144,093)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash proceeds from sale of shares – private placement		38,213,521		-
Share issue costs on private placement		(2,005,553)		-
Cash proceeds on exercise of stock options		7,000		-
		36,214,968		-
Effect of exchange rate changes on cash		(15,003)		32,838
Change in cash during the period		34,567,941		(2,587,794)
Cash, beginning of period		62,154		4,144,571
Cash, end of period	$	34,630,095	$	1,556,777

Supplementary cash flow information:

Non-cash transactions:				
Depreciation expense capitalized to exploration and evaluation assets	$	31,777	$	35,206
Share-based payments expense capitalized to exploration and evaluation assets		420,161		6,711
Stock options exercised – fair value		4,554		-
Accounts payable and accrued liabilities in exploration and evaluation assets		74,237		199,604

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				Accumulated Other Comprehensive Income	
	Number	Amount	Reserves	Deficit		Total
Balance, June 30, 2015	60,175,608	$ 60,016,725	$ 18,834,140	$ (40,778,973)	$ 2,684,437	$ 40,756,329
Share-based payments	-	-	15,465	-	-	15,465
Comprehensive loss for the period	-	-	-	(444,595)	520,858	76,263
Balance, September 30, 2015	60,175,608	60,016,725	18,849,605	(41,223,568)	3,205,295	40,848,057
Share-based payments	-	-	241,360	-	-	241,360
Comprehensive loss for the period	-	-	-	(1,915,759)	826,297	(1,089,462)
Balance, June 30, 2016	60,175,608	60,016,725	19,090,965	(43,139,327)	4,031,592	39,999,955
Share-based payments	-	-	817,694	-	-	817,694
Exercise of stock options	10,000	11,554	(4,554)	-	-	7,000
Private placement	41,536,436	38,213,521	-	-	-	38,213,521
Share issuance costs	-	(2,005,553)	-	-	-	(2,005,553)
Comprehensive income for the period	-	-	-	(718,678)	494,194	(224,484)
Balance, September 30, 2016	101,722,044	$ 96,236,247	$ 19,904,105	$ (43,858,005)	$ 4,525,786	$ 76,808,133

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, and Australia.

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 advance its projects to completion. As at September 30, 2016, 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. During the period ended September 30, 2016, the Company completed a financing which is anticipated to provide funds 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, 2016.

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.	Australia	100%	Australian Dollar
Piche Resources Pty Ltd.	Australia	100%	Australian Dollar

Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, are as follows:

The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about its project. Management considers the economics of the project, including the latest resource prices and the long-term forecasts, and the overall economic viability of the project.

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the Company's provision for income taxes.

Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Where such valuations are applied, such as the time of a stock option grant or issuance of shares from trust, management provides detailed valuation assumptions.

3. SIGNIFICANT ACCOUNTING POLICIES

New standards not yet adopted

IFRS 9 *Financial Instruments (Revised)*

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

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards not yet adopted (cont'd…)

IFRS 16 *Leases*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The impact of IFRS 16 on the Company's leases has not yet been determined.

4. 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.

5. EXPLORATION AND EVALUATION ASSETS

September 30, 2016	Fiji	Australia	Total
Acquisition costs			
Balance, June 30, 2016 and September 30, 2016	$ 21,915,063	$ 511,890	$ 22,426,953
Exploration expenditures			
Balance, June 30, 2016	16,129,892	41,247	16,171,139
Additions for the period	777,527	289	777,816
Balance, September 30, 2016	16,907,419	41,536	16,948,955
Cumulative translation adjustment			
Balance, June 30, 2016	60,973	(36,882)	24,091
Additions for the period	465,194	21,704	486,898
Balance, September 30, 2016	526,167	(15,178)	510,989
Property total, September 30, 2016	$ 39,348,649	$ 538,248	$ 39,886,897

(Expressed in Canadian Dollars)

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

June 30, 2016		Fiji		Australia		Total
Acquisition costs						
Balance, June 30, 2015 and 2016	$	21,915,063	$	511,890	$	22,426,953
Exploration expenditures						
Balance, June 30, 2015		14,902,358		21,365		14,923,723
Additions for the year		1,999,182		19,882		2,019,064
Balance, June 30, 2016		16,901,540		41,247		16,942,787
Cumulative translation adjustment						
Balance, June 30, 2015		(1,244,487)		(36,736)		(1,281,223)
Additions for the year		1,305,460		(146)		1,305,314
Balance, June 30, 2016		60,973		(36,882)		24,091
Write-off of exploration assets		(771,648)		-		(771,648)
Property total, June 30, 2016	$	38,105,928	$	516,255	$	38,622,183

Tuvatu Gold Project

The Company's primary asset is the Tuvatu Gold Project located near Nadi on the island of Viti Levu, Fiji.

The Mineral Resources Department ("MRD") of Fiji has granted Special Mining Lease 62 ("SML 62") on the Tuvatu project to the Company. SML 62 is a designated area within the original boundaries of the Company's Special Prospecting Licenses ("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 terms of the mining lease 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. A performance and environmental bond of FJD$2,700,000 (CAD$1,717,740) has been placed on deposit with the MRD. The SML is subject to annual lease payments of FJD$73,697.

In addition to a 5% net smelter royalty ("NSR") with the government of Fiji, the Fiji properties are subject to a perpetual production royalty of 0.5% to 1.5% of net smelter returns. This NSR is payable to a company controlled by a common director.

Surface Lease Agreement

The Company holds 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 of which FJD$700,000 (CAD$445,340) was paid upon acceptance of the Surface Lease agreement. The balance of FJD$300,000 (CAD$190,860) is due upon the first gold production from mining operations in Tuvatu. An additional lease payment of FJD$30,000 (CAD$19,086) is payable per annum to the local communities for education and community development over the 21-year term of the Surface Lease agreement.

(Expressed in Canadian Dollars)

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

Fiji Exploration Properties

The Company holds five exploration licenses (SPL's) for the Tuvatu, Delaikoro and Vunimoli properties as granted by the MRD. SPL's 1283, 1296 and 1465 are contiguous to the Tuvatu Gold Project located near Nadi on the island of Viti Levu. 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.

Under the terms of the SPL's, the Company is required to spend a minimum threshold of expenditures on each of the licenses.

Special Prospecting License	Issued	Expiry Date	Bond (Fijian $)	Bond (Canadian $)	Expenditure Requirement (Fijian $)	Expenditure Requirement (Canadian $)
1283 / 1296	Sept. 3, 2013	Sept. 3, 2016	$ 316,360	$ 201,268	$ 4,200,000	$ 2,672,040
1465	Dec. 2, 2013	Dec. 1, 2016	31,700	20,168	1,800,000	1,145,160
1467	Nov. 7, 2013	Nov. 7, 2016	11,000	6,998	650,500	413,848
1468	Oct. 2, 2013	Oct. 2, 2016	5,950	3,785	289,500	184,180
			$ 365,010	$ 232,219	$ 6,940,000	$ 4,415,228

The Company has satisfied the expenditure requirements under the current term of SPL 1283 and 1296 with renewal applications submitted to the MRD. The Company has determined that it will not renew SPL's 1467 and 1468 on the island of Vanua Levu and recognized an impairment against the exploration assets of $771,648 in the year ended June 30, 2016.

Bonds

The SPL's require the posting of bonds as security against future reclamation obligations. As at September 30, 2016, the Company has bonds of $1,949,959 (June 30, 2016 - $1,921,148) held with the MRD included in exploration advances and deposits on the statement of financial position.

Australian Properties

Olary Creek, South Australia

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

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

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 year ended June 30, 2014, the Company, Henan and HJH formalized the termination of HJH from the JV Agreement. A formal Olary Creek Farm-In and Joint Venture Agreement ("Olary Creek JV") was executed confirming the respective interests of the parties and

(Expressed in Canadian Dollars)

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

Australian Properties (cont'd…)

Olary Creek, South Australia (cont'd…)

ownership of the tenement. Under the Olary Creek JV, ownership of the tenement is 51% by the Company and 49% by Henan with participation in the Fe and Mn rights of 47% by the Company and 53% by Henan.

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

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

Bonds

As at September 30, 2016, the Company held $Nil (June 30, 2016 - $4,324) in performance bonds with various Australian authorities on its Australian tenements included in exploration advances and deposits on the statement of financial position.

6. PROPERTY AND EQUIPMENT

	Computers and Office Equipment	Motor Vehicles	Building and Equipment	Total
Cost				
Balance, June 30, 2015	$ 213,896	$ 178,133	$ 766,299	$ 1,158,328
Cumulative translation adjustment	5,686	7,999	32,171	45,856
Balance, June 30, 2016	219,582	186,132	798,470	1,204,184
Additions for the period	-	-	59,938	59,938
Cumulative translation adjustment	2,389	2,822	11,874	17,085
Balance, September 30, 2016	$ 221,971	$ 188,954	$ 870,282	$ 1,281,207
Accumulated depreciation				
Balance, June 30, 2015	$ 145,868	$ 116,066	$ 225,489	$ 487,423
Additions for the year	45,728	32,995	64,019	142,742
Cumulative translation adjustment	4,690	5,180	8,381	18,251
Balance, June 30, 2016	196,286	154,241	297,889	648,416
Additions for the period	7,968	8,349	16,058	32,375
Cumulative translation adjustment	2,133	2,409	4,069	8,611
Balance, September 30, 2016	$ 206,387	$ 164,999	$ 318,016	$ 689,402
Net book value				
As at June 30, 2016	$ 23,296	$ 31,891	$ 500,581	$ 555,768
As at September 30, 2016	$ 15,584	$ 23,955	$ 552,266	$ 591,805

(Expressed in Canadian Dollars)

7. PROVISIONS AND PAYABLES

Accounts payable and accrued liabilities		September 30, 2016		June 30, 2016
Trade payables	$	66,171	$	40,007
Payables due to related parties (Note 10)		62,768		945,377
Exploration expenditures payable		74,237		106,336
Employee benefits		114,086		111,371
Balance, end of period	$	317,262	$	1,203,091

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

8. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

During the period ended September 30, 2016, the Company completed a non-brokered private placement of 41,536,436 units (“Unit”) at a price of $0.92 per Unit for gross proceeds of $38,213,521. Each Unit consists of one common share and one transferable common share purchase warrant (“Warrant”). Each Warrant is exercisable at a price of $1.35 per share until March 16, 2018, subject to an accelerated expiry option whereby the Company can trigger an accelerated 30-day expiry of the Warrants if the closing price of the Company’s common shares listed on the TSX-V remain higher than $1.75 for 20 consecutive trading days. The Company paid finders’ fees of $1,898,402, filing fees of $54,250 and legal costs of $52,900 in respect of the placement.

The Company did not complete any private placements during the year ended June 30, 2016.

c) Trust agreement

Pursuant to a Trust Agreement dated April 1, 2010, the Company has issued and allotted 1,000,000 common shares from treasury to a designated trustee. The Trust Agreement stipulates the release of the shares to the beneficiaries upon vesting dates. As at September 30, 2016, 100,000 (June 30, 2016 – 100,000) shares remained in trust.

d) Stock options

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 10, 2015. 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)

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

d) Stock options (cont'd…)

Stock option transactions are summarized as follows:

	Number of Stock Options		Weighted Average Exercise Price
Balance, June 30, 2015	3,535,000	$	0.69
Granted	3,425,000		1.00
Forfeited and expired	(960,000)		1.14
Balance, June 30, 2016	6,000,000		0.53
Granted	1,000,000		1.25
Exercised	(10,000)		0.70
Forfeited and expired	(200,000)		1.40
Balance, September 30, 2016	6,790,000	$	0.85
Balance, September 30, 2016 exercisable	2,789,995	$	0.76

Stock options outstanding as at September 30, 2016:

	Number	Exercise price	Expiry date
Stock Options	25,000	$ 1.40	November 2, 2016[1]
	490,000	0.70	October 11, 2017
	125,000	0.70	February 26, 2018
	1,000,000	1.25	September 29, 2018
	1,725,000	0.35	June 27, 2019
	3,425,000	1.00	June 30, 2021
	6,790,000		

[1] Expired unexercised subsequent to period end.

During the period ended September 30, 2016, the Company granted 1,000,000 (2015 – Nil) stock options to a director. The weighted average fair value of options granted during the period was $0.51 per option (2015 - $Nil). Total share-based payments recognized in the statement of shareholders' equity for the period ended September 30, 2016 was $817,694 (2015 - $15,465) for incentive options granted and vested. Share-based payments expense of $397,533 (2015 - $8,754) was recognized in the statement of loss and comprehensive loss with the balance an expense of $420,161 (2015 - $6,711) capitalized 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:

	2016	2015
Risk-free interest rate	0.56%	-
Expected life of options	2 years	-
Annualized volatility	108%	-
Dividend rate	-	-

(Expressed in Canadian Dollars)

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

e) Warrants

Warrant transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance, June 30, 2015 and 2016	-	$ -
Issued	41,536,436	1.35
Balance outstanding and exercisable, September 30, 2016	41,536,436	$ 1.35

Warrants outstanding as at September 30, 2016:

	Number	Exercise price	Expiry date
Warrants	41,536,436	$ 1.35	March 16, 2018

These warrants are subject to an accelerated expiry option whereby the Company can trigger an accelerated 30-day expiry of the Warrants if the closing price of the Company's common shares listed on the TSX-V remain higher than $1.75 per share for 20 consecutive trading days.

9. RELATED PARTY TRANSACTIONS

Management Compensation

Key management personnel comprise of the Chief Executive Officer, former President, Managing Director, Chief Financial Officer, Vice President Administration, and Vice President and Corporate Secretary of the Company. The remuneration of the key management personnel is as follows for the periods ended September 30:

	2016	2015
Payments to key management personnel:		
Cash compensation	$ 106,538	$ 124,978
Share-based payments	657,670	18,148

During the period ended September 30, 2016, the Company paid $45,000 (2015 - $45,000) in rent to Cabrera Capital Corp. ("Cabrera"), a company controlled by a director of the Company. As at September 30, 2016, the Company had a payable of $45,590 due (June 30, 2016 – $240,530) to Cabrera.

During the period ended September 30, 2016, the Company paid professional services fees of $8,908 (2015 - $8,542) to a management services company owned by a director of the Company's subsidiary.

During the period ended September 30, 2016, the Company paid directors' fees of $4,000 (2015 - $6,000) to non-executive board members.

As at September 30, 2016, the Company has a payable of $6,029 (June 30, 2016 - $689,101) 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.

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS (cont'd…)

Commitment

The Company has a management and corporate services agreement with Cabrera pursuant to which Cabrera provides a fully furnished and equipped business premises as well as management and administration services to the Company. With the exception of rent expense, Cabrera charges the Company on a cost-recovery basis. The Company can terminate the agreement at any time by paying Cabrera a year's worth of fees based on the average monthly fee paid to Cabrera since January 31, 2011.

10. SEGMENTED INFORMATION

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

September 30, 2016	Fiji	Australia	Total
Exploration and evaluation assets	$ 39,348,649	$ 538,248	$ 39,886,897
Property and equipment	591,805	-	591,805
	$ 39,940,454	$ 538,248	$ 40,478,702

June 30, 2016	Canada	Fiji	Australia	Total
Exploration and evaluation assets	$ -	$ 38,105,928	$ 516,255	$ 38,622,183
Property and equipment	5,994	549,192	582	555,768
	$ 5,994	$ 38,655,120	$ 516,837	$ 39,177,951

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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

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

Financial risk factors

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

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.

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

Financial risk factors (cont'd…)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company will raise funds for future use from equity financings and other methods as contemplated by management to satisfy its capital requirements and will continue to depend heavily upon these financing activities. The Company is exposed to risk that it will encounter difficulty in satisfying this obligation on maturity All of the Company's current financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. As at September 30, 2016, the Company had working capital of $34,381,357.

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.

As at September 30, 2016, the Company's net foreign denominated financial assets are as follows:

	Foreign currency	Canadian dollar equivalent
Australian Dollar	$ (96,203)	$ (96,587)
Fijian Dollar	3,183,175	2,025,136

The sensitivity of the Company's comprehensive loss due to changes in the carrying values of monetary assets and liabilities denominated in foreign currencies is as follows.

Increase / decrease in foreign exchange rate	September 30, 2016	June 30, 2016
+ 5%	$ 96,427	$ 90,530
- 5%	(96,427)	(90,530)

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.

13. CAPITAL MANAGEMENT

The Company's capital management policy has the objective of maintaining 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 $76,808,133 (June 30, 2016 - $39,999,955). In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek additional debt financing and adjust its capital spending to manage current and working capital requirements. The Company is not subject to externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the period ended September 30, 2016.