

Lion One Metals Ltd. (TSXV:LIO)
Unleashing the Lion

Exploration Update

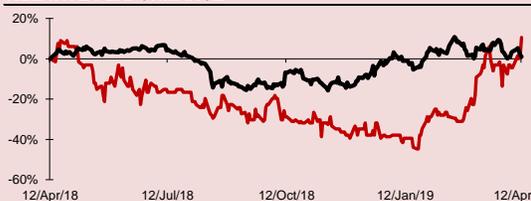
(Currency is CAD\$ unless noted otherwise)

Closing Price		0.73
Net Asset Value Per Share		1.93
52 Week Low / High	\$0.35 /	\$0.76
P/NAV		0.38x
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	102.5	108.2
Market Capitalization (\$MM)		\$74.8
Enterprise Value (\$MM)		\$62.1
Last Reported Quarter Cash (\$MM)		\$12.8
Total Debt (\$MM)		\$0.0

STOCK CHART



RELATIVE PERFORMANCE



NET ASSET VALUE SUMMARY	(C\$M)	(C\$/sh)
Tuvatu Underground Gold Project	\$224.7	\$1.8
Tuvatu Regional Exploration Upside	\$50.0	\$0.4
Taxes	(\$49.8)	(\$0.4)
Corporate G&A	(\$25.3)	(\$0.2)
Future Financing Cash Flows	\$29.5	\$0.2
Working Capital	\$13.4	\$0.1
Total NAV	\$242.5	\$1.93

RELATIVE VALUATION

Peer Group Average*	0.52x
Lion One Metals	0.38x
*Capital IQ Consensus	

MAJOR SHAREHOLDERS

Management (16.68%), Donald Smith & Co., IFALSE (13.9%), Franklin Resources, I (9.91%), J.P. Morgan Asset Man. (6.06%), Red Lion Management (5.17%)

DISCLOSURE CODE: 1,2,3,4

(Please refer to the applicable disclosures listed on the back page)

Source: RCKS, Company Information, Capital IQ

Company Description

Lion One Metals Limited engages in the acquisition, exploration, and evaluation of mineral resources in Fiji and Australia. The company explores for gold and iron ores. Its principal asset is the Tuvatu gold project located on the island of Viti Levu in Fiji. The company is headquartered in North Vancouver, Canada.

Impact: Positive

Lion One recently announced aggressive plans to explore its recently consolidated property, with the aim of demonstrating its potential to host an expansive alkaline epithermal gold system, analogous to the nearby Vatukoula (7Moz Au) deposit. The company is back-stopped by the robust, high grade (739Koz at 9.5 g/t Au) Tuvatu gold project in Fiji, which steadily continues to be advanced to production. **We are revising our valuation to better reflect the significant potential we think could be revealed as drilling ramps-up.**

Highlights:

- **Build and explore.** The company intends to run an aggressive drilling program designed to demonstrate the district-scale exploration upside of the high-grade Tuvatu gold system. In the meantime, the company continues to steadily advance its fully permitted high-grade Tuvatu underground gold project.
- **Potential exists to deliver a major deposit.** Epithermal alkaline gold systems form some of the largest gold deposits on earth and include Vatukoula (7Moz Au) just 40km to the northeast, Lihir (10Moz Au) operated by Newcrest Mining and Porgera (20Moz Au) operated by Barrick. Work done to date suggests Tuvatu sits within a major alkaline gold system and has potential to grow materially.
- **Next steps expected to deliver growth.** Plans this year include geophysics to better define structures as well as property wide geochemistry to prioritize target areas. We expect an ambitious drilling program that is planned to include step-outs within 500m of Tuvatu and scout-drilling on more distal targets. As the program advances through 2019, the market should begin to appreciate the multi-million-ounce gold potential of the Tuvatu gold project.

Valuation:

In our view the market is undervaluing Lion One. Lion One currently trades at 0.38x (peers 0.52x). This valuation is easily underpinned by the high-grade Tuvatu gold project, currently under development. Lion One could re-rate as it continues to move Tuvatu towards production and as it begins to demonstrate the project's significant exploration potential. We believe Lion One is worth C\$1.35/sh (new fair value est.), based on 0.70x our NAVPS_{8%} estimate of \$1.93 (was \$1.86 using a 5% discount rate). We believe the company's renewed focus on drilling could surface significant value and have revised our estimates to reflect this exploration upside. This was partially offset by other model updates (page 6). **Upcoming catalysts include:** 1) Exploration updates (Ongoing) and 2) Project development updates (Ongoing).

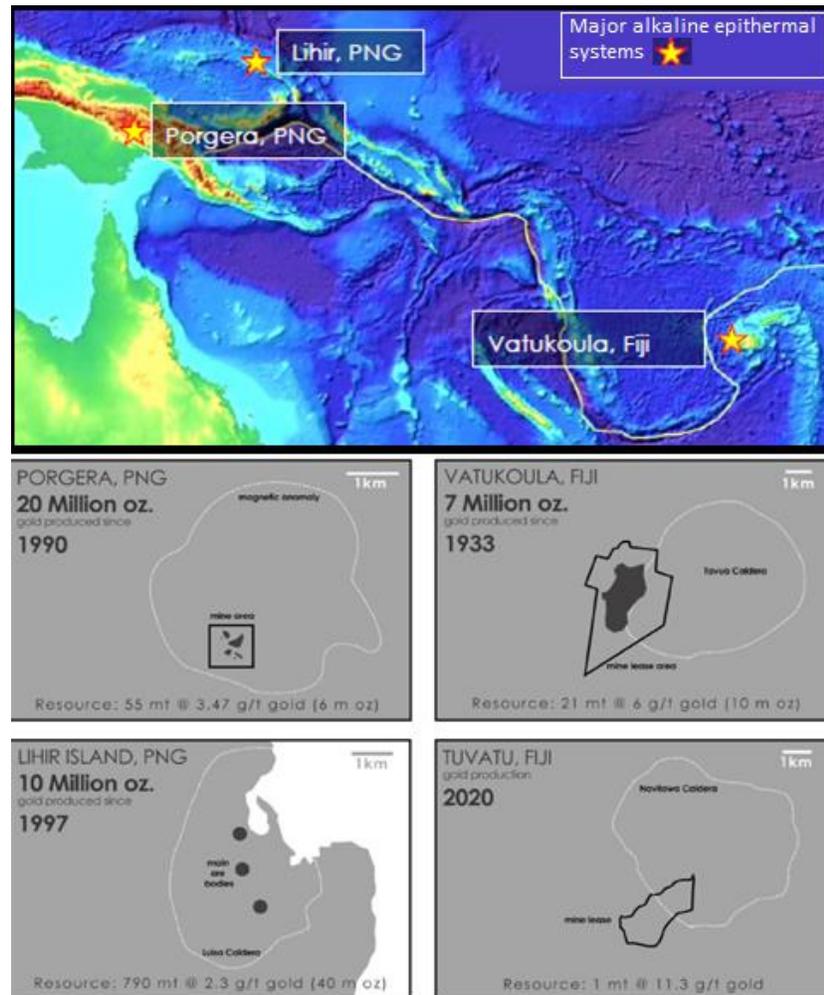
Tuvatu's closest analog is likely the Vatukoula deposit (7Moz), just 40km to the northwest

Tuvatu – hallmarks of an alkaline epithermal gold giant. Our main take-away from our 2018 **site visit** to Lion One's Tuvatu gold project in Fiji was a greater appreciation of the significant exploration potential beyond the Tuvatu deposit (Inferred resource 739Koz at 9.5 g/t).

We note that the company's consolidation of the property over the Navilawa caldera complex occurred only recently (November 2017). By doing so, Lion One more than doubled its holdings to 20,000 hectares and attracted the attention of, Dr. Quinton Hennigh, whose appointment as technical advisor as a result of his knowledge on alkaline gold systems, was announced on March 1st.

He, like us believes that Tuvatu is a small part of a much larger alkaline epithermal system and is especially keen to test the depth potential of the deposit. These systems form some of the largest gold deposits on earth and include, Vatukoula (7Moz Au), Lihir (10Moz Au), Porgera (20Moz Au) and Cripple Creek (10Moz Au).

Figure 1: Comparable Calderas in the South Pacific



Source: Company Reports

Tuvatu possesses all the hallmark features of great alkaline epithermal gold systems

Tuvatu checks all the boxes. Alkaline epithermal gold systems generally share the following attributes:

- Gold mineralization hosted in densely packed networks of very high-grade veinlets, which can be mined using bulk underground mining methods.
- Underlying alkaline magmatic systems which generate extensive potassic alteration footprints, measured in kilometers
- Deposits hosted on the margins or within large caldera complex, with multiple mineralized centres.
- Large vertical extent, often exceeding 1,000m.

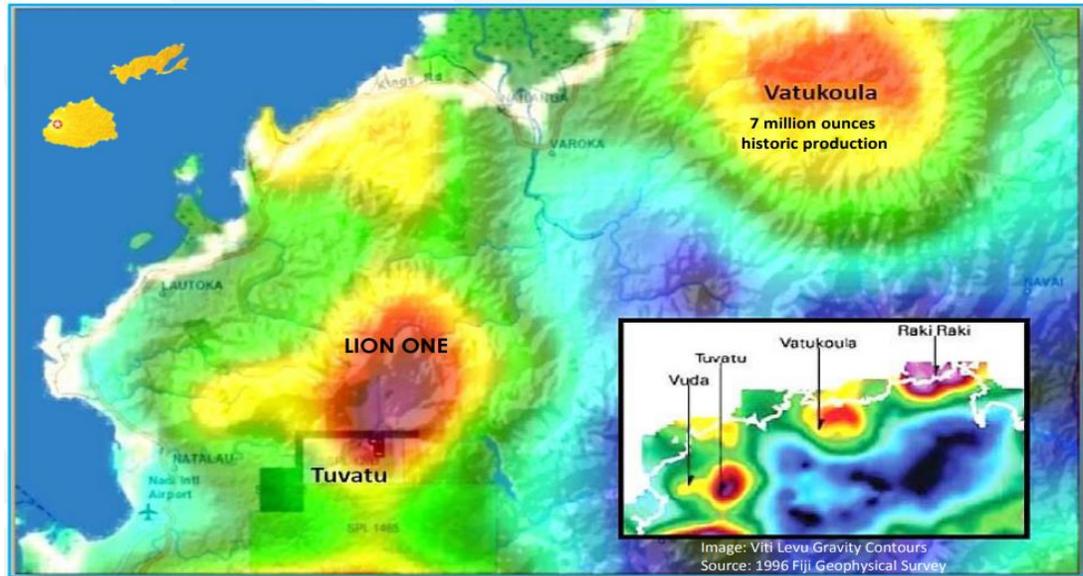
Tuvatu checks off all of these boxes – except drilling to date is mostly confined to within 300m of surface and along 500m of strike. Given that the deposit remains open in all directions and sits within a 7km mineralized corridor hosting dozens of anomalies, we believe Tuvatu can grow materially with more drilling.

As a result, we have increased our exploration credit on the property from C\$25M to C\$50M as we believe an aggressive exploration program should begin to surface some of this exploration upside.

Potential for growth. We see exploration potential emanating concentrically outward from the Tuvatu deposit itself, as follows:

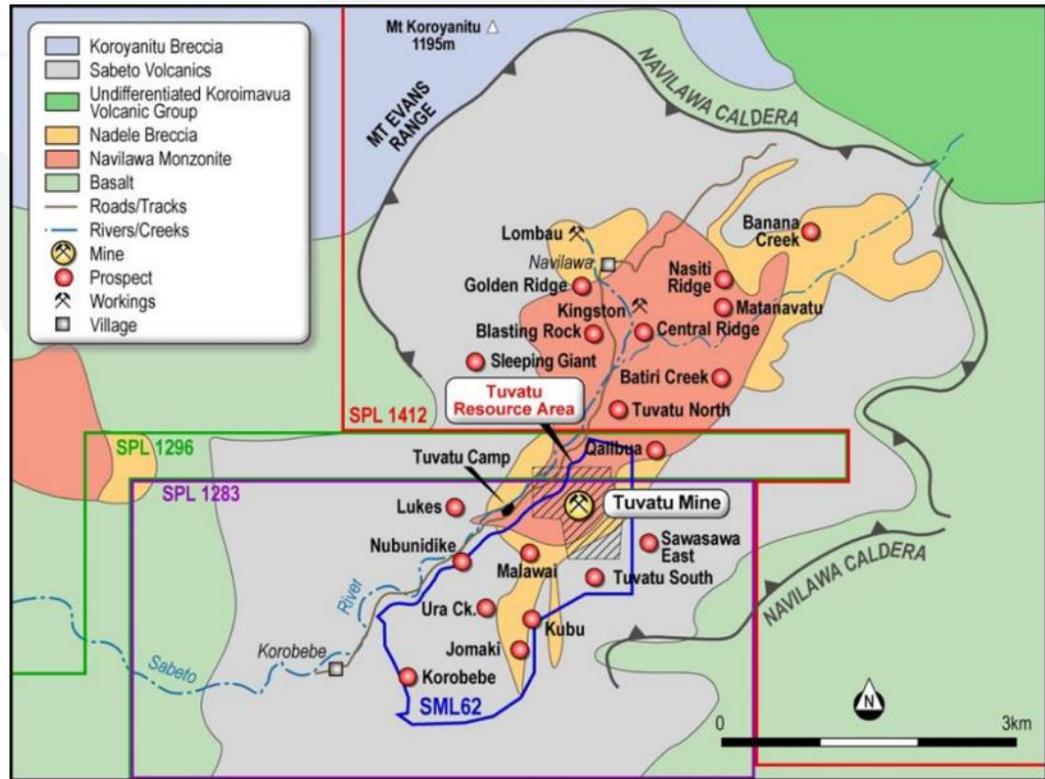
- **Deposit itself has significant room to grow - similar geological setting but only tested 10% of potential scale relative to neighboring Vatukoula.** To date, Lion One's efforts have focussed on the Tuvatu deposit itself, defined to 300m below surface and 500m along strike. We note that the prolific Vatukoula deposit just 40 kilometers to the northwest extends 2000m along strike and down to 1200m below surface. We stress that Tuvatu remains open in all directions – the probability of an increase is high and as result we have increased our mineable resource by 100%, from 1.52 Mt at 8.4 g/t Au to 3.04 Mt 8.4 g/t Au.
- **Near mine targets, on the existing mining lease.** Within 2000m of Tuvatu, surface mapping and sampling has defined numerous compelling targets – extensive vein networks similar in style to those observed at Tuvatu. Step-out drilling on these targets, both west and south of Tuvatu, could serve to highlight the scale of the Tuvatu mineralized system and on resource growth potential of this system (Figure 4).
- **Previous exploration efforts provide district large-scale potential.** We note that Lion One more than doubled its holdings to 20,000 hectares in November 2017, with the granting of SPL 14 12, which extended the property into the Navilawa caldera complex. In all, the company now controls the full extent of a 7km x 3km mineralized corridor. Geophysics suggests strong potassic alteration associated with the Tuvatu deposit extends into this area and is coincident with a half dozen soil anomalies which have seen minimal drill testing (Figure 3 & Figure 5)

Figure 2: Tuvatu Caldera Complex Defined by a Prominent Gravity Anomaly Similar to Vatukoula



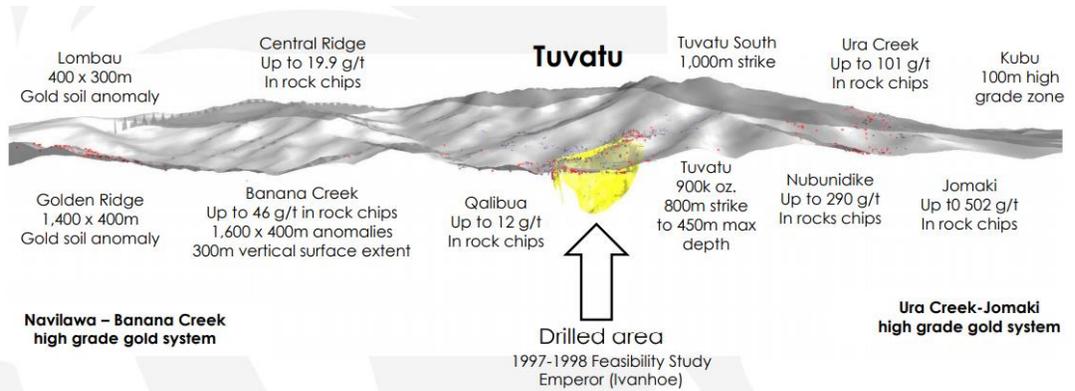
Source: Company Reports

Figure 3: District Scale Land Holdings



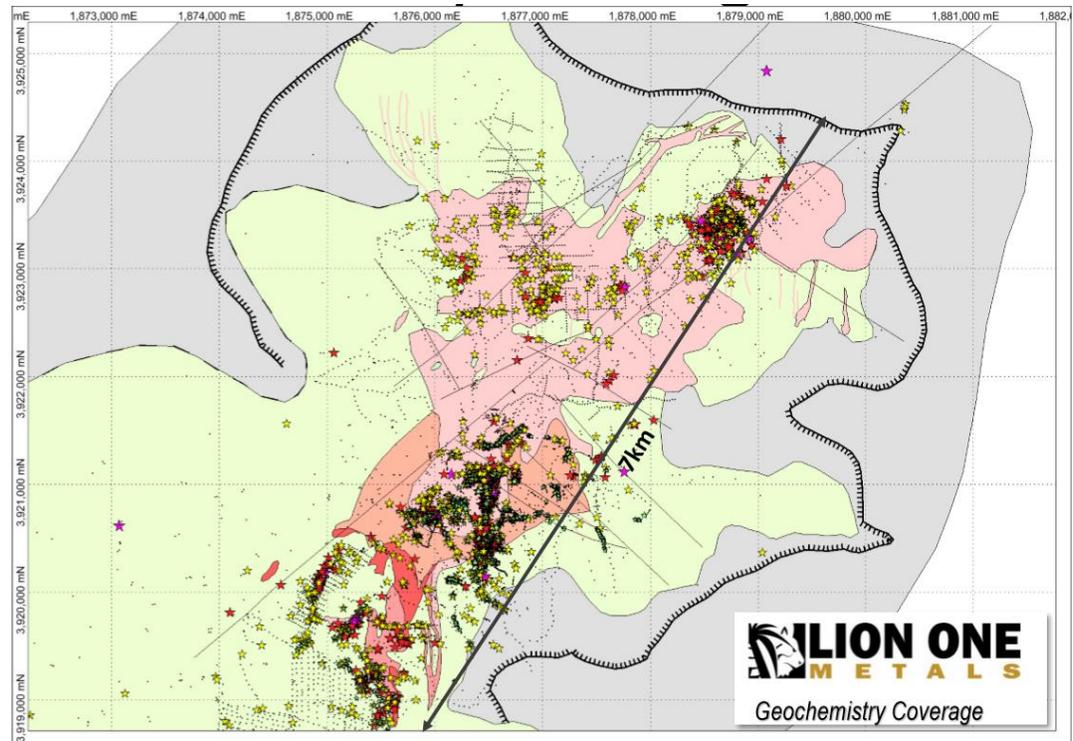
Source: Company Reports

Figure 4: Lion One Regional Targets



Source: Company Reports

Figure 5: Geochemistry Coverage with Multiple Anomalies over 7m x 3km Area Within the Navilawa Caldera



Source: Company Reports

Valuation

We have adjusted our estimates to reflect the increased exploration potential we see for Lion One

Our current valuation for Lion One is estimated at C\$1.35/sh. Our new fair value estimate is based on 0.70x our NAVPS_{8%} estimate of \$1.93 (was \$1.86 using a 5% discount rate). As a result of the company's aggressive exploration program, we have increased near-mine exploration potential (from 150% of the mineable resource, to 200%) and increased the credit we give for the exploration targets (C\$50M, was C\$25M). We believe that the company's exploration efforts should surface this value for shareholders. Furthermore, to take into challenging a project finance environment for gold projects, we have deferred initial production until CQ2 2022E (was CQ2 2020E) with the same project parameters (see page 8 of our [initiation report](#)).

Additionally, we have updated our estimates to reflect more traditional project financing (60% debt/40% equity) versus the all debt option previously indicated. As well, since project financing and timing less certain, we have elected to move from an 5% discount rate for our valuation to 8%. **The overall change to our estimates has been net positive, with our NAVPS estimate increasing 4% to C\$1.93/sh (was C\$1.86) and comparatively, our NAVPS_{5%} estimate increased 25% (from C\$1.86 to C\$2.32).**

Figure 6: NAV Summary

Development Properties	Discount rate				
	0%	5%	8%	12%	15%
Tuvatu Underground Gold Project	\$464.00	\$292.92	\$224.68	\$159.27	\$123.69
Current taxes	<u>(\$92.76)</u>	<u>(\$62.26)</u>	<u>(\$49.79)</u>	<u>(\$37.56)</u>	<u>(\$30.75)</u>
Total mine site net present value	\$371.24	\$230.66	\$174.89	\$121.71	\$92.94
Other assets and/or liabilities					
Exploration properties	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Other assets/liabilities	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Corporate adjustments					
Corporate G&A	(\$40.60)	(\$29.89)	(\$25.30)	(\$20.61)	(\$17.89)
Working capital (less equity investments)	\$13.38	\$13.38	\$13.38	\$13.38	\$13.38
Interest income net of financing expense	(\$11.03)	(\$9.18)	(\$8.27)	(\$7.23)	(\$6.57)
Cash Flow from Financing	\$33.25	\$36.68	\$37.80	\$38.51	\$38.63
Total net debt	\$35.61	\$40.89	\$42.91	\$44.66	\$45.44
Total corporate adjustments	(\$4.99)	\$10.99	\$17.61	\$24.05	\$27.55
Total NAV (millions C\$)	\$416.25	\$291.65	\$242.51	\$195.76	\$170.48
Total NAVPS (C\$/share)	\$3.31	\$2.32	\$1.93	\$1.56	\$1.36

Source: RCKS Estimates

Current share price more than back-stopped by existing project, providing investors significant upside with exploration success. If we were to remove all exploration success, both near mine and on the wider property, our NAVPS_{8%} estimate would decrease to C\$0.89/sh (fair value C\$0.63). In our view, this back stops the current share price and with exploration efforts ramping up, the hint of success should provide upside for investors.

The combination of high-grades and significant exploration upside suggests the market is undervaluing Lion One. Lion One currently trades at 0.38x NAV, which is a steep discount to peers at 0.52x. We believe that the combination of high-grades, permits, and exceptional exploration potential suggest this company trades at a discount to peers. We believe that as the company demonstrates the projects wider potential and advances Tuvatu towards production, it should close the valuation gap to peers. Importantly, should Lion One deliver a major discovery at Tuvatu, we would expect the exploration potential to dwarf the value of our DCF estimates.

Financial and Operating Summary

Ticker	TSXV:LIO
Closing Price	\$0.73
Net Asset Value Per Share	\$1.93
52 Week Low / High	\$0.35 / \$0.76
Shares Outstanding (M)	102.52
Market Capitalization (\$MM)	\$74.84
Enterprise Value (\$MM)	\$62.08
Last Reported Quarter Cash (\$MM)	\$12.76
Total Debt (\$MM)	\$0.00

TECHNICAL ASSUMPTIONS

	F2019E	F2020E	F2021E	F2022E	F2023E	F2024E
Gold (US\$/oz)	\$ 1,300	\$ 1,300	\$ 1,300	\$ 1,300	\$1,300	\$ 1,300
FX Rate (FJ\$:US\$)	0.49	0.49	0.49	0.49	0.49	0.49
FX Rate (C\$:US\$)	0.80	0.80	0.80	0.80	0.80	0.80

FINANCIAL DATA

Capital Structure	Shares (M)
Shares Outstanding	102.5
Options	5.7
Warrants	0.0
Fully Diluted Shares	108.2

Ownership (April 2019)

	Shares O/S (M)	% O/S
Management	17.10	17%
Donald Smith & Co., Inc.	14.25	14%
Franklin Resources, Inc.	10.16	10%
J.P. Morgan Asset Management, Inc.	6.21	6%
Red Lion Management Ltd, Asset Management Arm	5.30	5%
Aegis Financial Corporation	3.10	3%
Mackenzie Financial Corporation	1.84	2%

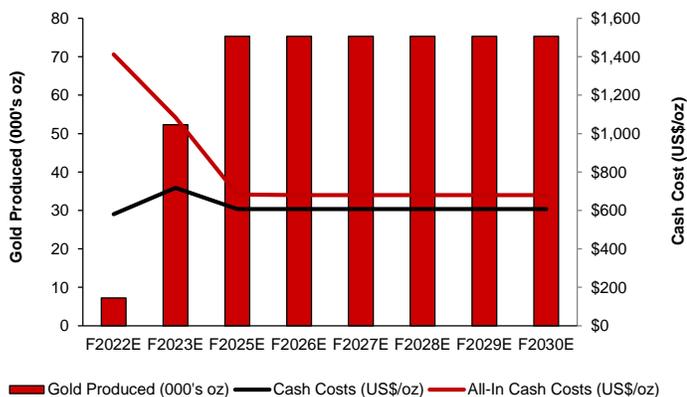
Financial Summary (\$/sh)

	F2019E	F2020E	F2021E	F2022E	F2023E	F2024E
Shares Outstanding (M)	0.0	0.0	0.0	0.0	0.0	0.0
EPS	(0.03)	(0.02)	(0.02)	(0.03)	(0.04)	(0.07)
CFPS	(0.01)	(0.02)	(0.03)	(0.03)	(0.04)	(0.06)
P/CF	(55.0)x	(39.2)x	(27.5)x	(24.2)x	0.0x	0.0x

Income Statement (\$M)

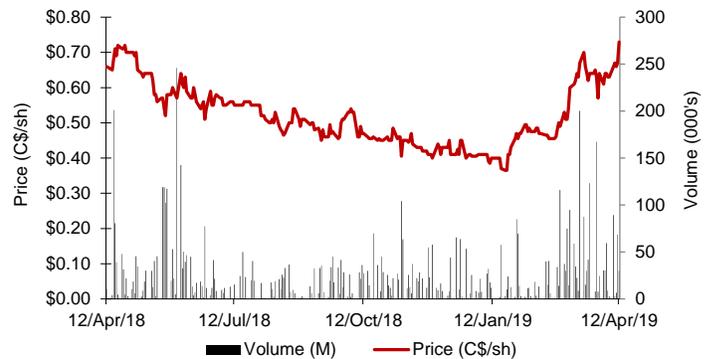
	F2019E	F2020E	F2021E	F2022E	F2023E	F2024E
Net Revenue	0.00	0.00	0.00	0.00	0.00	11.72
Operating Costs	(0.04)	(0.05)	(0.03)	0.00	0.00	(10.46)
EBITDA	(2.41)	(2.25)	(1.65)	(3.15)	(3.70)	(4.24)
EBIT	(2.41)	(2.25)	(1.65)	(3.15)	(3.70)	(5.61)
Net Earnings	(2.41)	(2.25)	(1.65)	(3.15)	(4.29)	(8.56)
EPS	(0.03)	(0.02)	(0.02)	(0.03)	(0.04)	(0.07)

OPERATIONAL FORECAST (\$M)

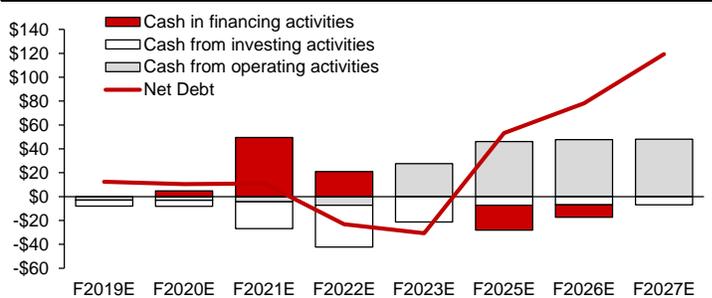


As of market close on April 12, 2019.
Source: Red Cloud KS Estimates, Company Reports, Capital IQ

STOCK CHART



Cash Flow & Net Cash (C\$M)



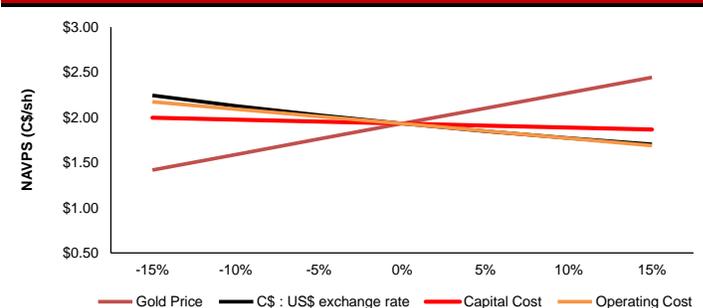
COMPARABLES (Consensus versus Our Estimate)

	Ticker	Price (C\$/sh)	Mrkt Cap (C\$M)	EV/oz (US\$/oz)	P/NAV
Lion One Metals Limited	TSXV:LIO	\$0.73	\$75	\$63	0.38x
Ascot Resources Ltd.	TSXV:AOT	\$0.73	\$153	\$44	0.33x
Osisko Mining Inc.	TSX:OSK	\$3.05	\$816	\$154	0.78x
Anaconda Mining Inc.	TSX:ANX	\$0.35	\$43	\$27	0.29x
K92 Mining Inc.	TSXV:KNT	\$1.54	\$318	\$95	0.68x
De Grey Mining (RCKS Est.)	ASX:DEG	\$0.09	\$39	\$19	0.22x
Victoria Gold Corp.	TSXV:VIT	\$0.47	\$401	\$68	0.70x
Average				\$68	0.52x

NET ASSET VALUE

	Discount Rate	(C\$M)	(C\$/sh)
Tuvatu Underground Gold Project	8.0%	\$ 224.68	\$ 1.79
Tuvatu Regional Exploration Upside	In-Situ	\$ 50.00	\$ 0.40
Taxes	8.0%	\$ -49.79	\$ -0.40
Corporate G&A	8.0%	\$ -25.30	\$ -0.20
Future Financing Cash Flows	8.0%	\$ 29.53	\$ 0.24
Working Capital	Current Est.	\$ 13.38	\$ 0.11
		\$ 242.51	\$ 1.93

SENSITIVITY ANALYSIS



Source: Red Cloud KS Estimates

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Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
Lion One Metals Ltd	TSXV:LIO	1,2,3,4

1. A member of Red Cloud KS team has visited/viewed material operations of the issuer.
2. In the last 12 months, Red Cloud KS has been retained under a service or advisory agreement by the subject issuer.
3. In the last 12 months, Red Cloud KS has received compensation for investment banking services.
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