

Lions Bay Capital Inc.
(A Capital Pool Company)

Condensed Interim Financial Statements
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars

For the Quarter Ended August 31, 2017

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed 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 interim 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.

Lions Bay Capital Inc.
Condensed Interim Statements of Financial Position
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars

	August 31	May 31
	2017	2017
	\$	\$
	<u> </u>	<u> </u>
Assets		
Current Assets		
Cash	14,477	36,989
Total Assets	<u>14,477</u>	<u>36,989</u>
Liabilities and Shareholders' Deficit		
Current Liabilities		
Trade and other payables	92,922	98,427
Arcourt Resources Loan (Note 5)	57,573	56,238
Pan Andean Loan (Note 6)	51,787	50,530
Total Liabilities	<u>202,282</u>	<u>205,195</u>
Shareholders' Deficit		
Share capital (Note 7)	443,843	443,843
Contributed surplus (Note 8)	37,290	37,290
Accumulated deficit	(668,938)	(649,339)
Total Shareholders' Deficit	<u>(187,805)</u>	<u>(168,206)</u>
Total Liabilities and Shareholders' Deficit	<u>14,477</u>	<u>36,989</u>

Subsequent Event (Note 10)

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

Lions Bay Capital Inc.
Condensed Interim Statements of Loss and Comprehensive Loss
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars

	Three Months Ended	
	August 31	
	2017	2016
	\$	\$
Expenses		
Accounting & audit	10,622	2,057
Filing & shareholder fees	2,992	2,993
Legal fees	3,392	100
Total expenses	17,006	5,150
Other Expense		
Interest expense (Note 4)	2,593	-
Net loss and total comprehensive loss	(19,599)	(5,150)
Loss per common share		
- Basic and Diluted	(0.01)	(0.00)
Weighted average number of common shares		
(Net of shares held in escrow - Note 5c)		
- Basic and Diluted	3,535,168	3,535,168

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

Lions Bay Capital Inc.

Condensed Interim Statements of Changes in Shareholders' Deficit
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	Number of Shares	Share Capital \$	Contributed Surplus \$	Accumulated Deficit \$	Total Shareholders' Deficit \$
Balance – May 31, 2016	4,035,168	443,843	37,290	(517,783)	(36,650)
Loss for the period	-	-	-	(5,150)	(5,150)
Balance – Aug 31, 2016	<u>4,035,168</u>	<u>443,843</u>	<u>37,290</u>	<u>(522,933)</u>	<u>(41,800)</u>

	Number of Shares	Share Capital \$	Contributed Surplus \$	Accumulated Deficit \$	Total Shareholders' Deficit \$
Balance – May 31, 2017	4,035,168	443,843	37,290	(649,339)	(168,206)
Loss for the period	-	-	-	(19,599)	(19,599)
Balance – Aug 31, 2017	<u>4,035,168</u>	<u>443,843</u>	<u>37,290</u>	<u>(668,938)</u>	<u>(187,805)</u>

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

Lions Bay Capital Inc.
Condensed Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
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	Three Months Ended	
	2017	August 31
	\$	2016
		\$
Cash Flows From (Used In)		
Operating Activities		
Net Loss and Comprehensive Loss	(19,599)	(5,150)
Deduct Non-Cash & Other Items:		
Changes in Non-Cash Working Capital:		
Trade and Other Payables	(5,505)	1,386
Accrued Interest	2,592	-
	(2,913)	(1,386)
	(22,512)	(3,764)
Net (Decrease) in Cash	(22,512)	(3,764)
Cash - Beginning of Period	36,989	6,759
Cash - End of Period	14,477	2,995

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

Lions Bay Capital Inc.

Notes to the Condensed Interim Financial Statements
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1. Nature of Operations and Going Concern

Nature of Operations

Lions Bay Capital Inc. (the “Company” or “Lions Bay”) was incorporated under the British Columbia Business Corporations Act on April 19, 2010 and is classified as a Capital Pool Company (“CPC”) as defined in Policy 2.4 of the TSX Venture Exchange (“TSX Venture” or the “Exchange”). The principal business of the Company is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT” as defined under the policies of the TSX Venture Exchange). The Company has not commenced commercial operations and has no assets other than a minimum amount of cash and receivable.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company in respect of the sale of its securities, and \$210,000 may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Company. The TSX Venture approved the initial listing of the Company’s common shares under the symbol “LBI.P” which commenced trading on November 23, 2010. Subsequently, the Company was advised by the Exchange that its shares were suspended from trading effective November 26, 2012 as a result of the Company’s failure to complete a QT within 24 months of the listing. On February 14, 2013, to avoid delisting off the Exchange, the Company requested and was accepted by the Exchange to transfer the listing of its common shares to NEX under the symbol “LBI.H”. NEX is a separate board of the Exchange that provides a trading forum for listed companies that have fallen below the Exchange’s continued listing requirements.

The address of the Company’s corporate office and principal place of business is 4705 Wayburne Drive, Burnaby, British Columbia, Canada.

These condensed interim financial statements were authorized for issue by the Board of Directors on October 16, 2017.

Going Concern

These condensed interim financial statements were prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations. At August 31, 2017, the Company had no source of operating revenues, had an accumulated a deficit of <\$668,938>, had not yet achieved profitable operations, expects to incur further losses in the development of its business and has no assurance that it will be able to complete a QT. These material uncertainties cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to continue raising equity financing, and to identify, evaluate and negotiate an acquisition of, a participation in, or an investment of an interest in a QT. See Note 10.

Lions Bay Capital Inc.

Notes to the Condensed Interim Financial Statements
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2. Proposed Qualifying Transaction with Pan Andean Capital Pty Ltd

On March 6, 2017, the Company entered into a definitive, binding Share Exchange Agreement (the “Share Exchange Agreement”), with Pan Andean Capital PTY Ltd. (“Pan Andean”) and its shareholders pursuant to which Lions Bay will acquire all of the issued and outstanding shares and share purchase warrants of Pan Andean as of the completion date of the acquisition in exchange for common shares and share purchase warrants to be issued by Lions Bay.

Pan Andean was established as an investment holding company and commenced its current business operations in October 2014. Pan Andean’s focus is on strategic stakes (being stakes of no more than 19.9% investment in any one issuer in most instances) in companies in the resource, energy and resource related technology sectors.

The purchase price (the “Purchase Price”) for the Purchased Shares will be equal to the total value of Pan Andean’s assets on the date (the “Valuation Date”) that is 10 days prior to the closing (the “Closing”) of the purchase. Consideration for the Purchase Price will be settled by the issuance of up to 70,000,000 common shares of Lions Bay based on a price of \$0.05 per share, to the former shareholders and creditors of Pan Andean.

Upon completion of the Share Exchange Agreement, would result in a Reverse Takeover (the “Reverse Takeover”) of Lions Bay by Pan Andean, as control of Lions Bay would pass to the former shareholders of Pan Andean, who subsequently would own the vast majority of the outstanding common shares of Lions Bay.

The purchase of Lions Bay’s net assets would be treated as an equity-settled share-based payment under IFRS 2 Share-Based Payment. In accordance with IFRS 2, equity instruments from this transaction would be recognized at fair value of the net assets and services received. Services received from the Company consist in the listing of Lions Bay as a publicly listed Company and are measured at the amount of the excess of their fair value of equity instruments deemed issued to Lions Bay’s shares and option holders at the time of the transaction and Lions Bay’s net assets deemed acquired. The accounting treatment would be as a capital transaction, where the discrepancy in the purchase price consideration provided by an Andean to acquire the net assets of Lions Bay would be charged to the income statement as a listing expense.

In accordance with the terms of the Share Exchange Agreement, Lions Bay will conduct a non-brokered private placement offering, anticipated to be up to 16,000,000 Common Shares at a per share price of \$0.05 for aggregate gross proceeds of up to \$800,000 (the “Financing”), which will close concurrent with Closing of the Acquisition. All Common Shares issued by Lions Bay under the Financing will be subject to a hold period of four months and one day from the date of issuance in accordance with applicable securities legislation and the policies of the Exchange.

The transactions contemplated in the Share Exchange Agreement are subject to conditions precedent typical of a transaction of its nature, shareholder approval, including prior approval by the TSX Venture Exchange (the “Exchange”). See Note 10.

3. Summary of Significant Accounting Policies

Reporting and Basis of Measurement

These interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”); on a historical cost basis, and are presented in Canadian dollars, which is also the Company’s functional currency.

The preparation of condensed interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed interim financial statements are disclosed in Note 4.

Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the previous financial year.

4. Critical Accounting Estimates and Judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

In preparing these condensed interim financial statements, the significant judgements made by management and key sources of estimation uncertainty were the same as those that applied to the financial statements of the previous fiscal year.

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5. Arcourt Resources Loan

In September 2016, the Company entered into a loan agreement with Arcourt Resources NL for a principal amount of up to \$37,000, and subsequently amended to \$53,000, is unsecured and bears interest of 10% per annum. The total of outstanding principal and accrued interest are repayable on such date that is the earlier of the completion of a QT or 18 months after the date of the Loan agreement. See Note 10.

	\$
Principal draws	53,000
Accrued Interest	<u>3,238</u>
Balance – May 31, 2017	<u>56,238</u>
Accrued interest	<u>1,336</u>
Balance – August 31, 2017	<u>57,574</u>

6. Pan Andean Loan

In March 2017, the Company entered a loan agreement with Pan Andean for a total principal amount of up to \$50,000, which is unsecured and bears interest at 10% per annum. The total outstanding principal and accrued interest are repayable on such date that is the earlier of the completion of a QT or 18 months after the date of the loan agreement. See Note 10

	\$
Principal draws	50,000
Accrued Interest	<u>530</u>
Balance – May 31, 2017	<u>50,530</u>
Accrued interest	<u>1,257</u>
Balance – August 31, 2017	<u>51,787</u>

7. Share Capital

a) Authorized:

Unlimited number of common shares, without par value.
Unlimited number of preferred shares, without par value.

The Company is authorized to issue unlimited number of preferred shares without par value. No preferred shares have been issued since the Company's inception.

b) Escrow shares:

At November 30, 2016, 500,000 (May 31, 2017: 500,000) common shares were held in escrow by the Company's transfer agent to be released in accordance with the CPC policy guidelines. Under the escrow agreement, 10% of the shares will be released on

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the issuance of the Final Exchange Bulletin (the Exchange's acceptance of the QT) and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release.

c) Common shares:

On January 15, 2016, the Company closed a non-brokered private placement consisting of 1,140,000 common shares at a price of \$0.05 per share for gross proceeds of \$57,000.

On January 8, 2016, the Company issued 240,000 common shares at a deemed per share price of \$0.05 in settlement of \$12,000 in outstanding of accrued consulting fees.

The Company incurred costs of \$6,999 in connection to the total issuance of 1,380,000 common shares during January 2016.

8. Stock Options

The Company has established a stock option plan for its directors, officers and technical consultants under which the Company may grant options from time to time to acquire a maximum of up to 150,000 Common Shares, being 10% of the Common Shares, issued and outstanding upon completion of the Company's initial public offering. Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Any shares issued upon exercise of the options prior to the Company entering into a QT will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted.

The following table summarizes stock options outstanding:

	Number of options	Exercise price \$
Balance – May 31, 2017 and August 31, 2017	150,000	0.20

The following table summarizes stock options currently outstanding and exercisable:

Exercise price \$	Number of options outstanding	Weighted average remaining life (years)	Number of options exercisable	Expiry date
0.20	150,000	3.23	150,000	Nov 23, 2020

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9. Related Party Transactions

The key management personnel of the Company, which are defined by IAS 24, Related Party Disclosures, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management.

10. Subsequent Event

On September 28, 2017, Lions Bay filed with the Exchange and with securities regulators a Filing Statement prepared in accordance with Exchange policy that contains detail on Lions Bay's previously announced acquisition (the "Acquisition") of all of the issued and outstanding shares and share purchase warrants of Pan Andean Capital Pty Ltd. ("Pan Andean"), which Acquisition will serve as Lions Bay's Qualifying Transaction under the policies of the Exchange. The Filing Statement is available for viewing on the SEDAR website (www.sedar.com) under Lions Bay's issuer profile.

Concurrent with closing of the Acquisition, Lions Bay will use commercially reasonable efforts to complete a non-brokered private placement financing (the "Financing") consisting of up to 16,000,000 common shares at a per share price of \$0.05 for aggregate gross proceeds of up to \$800,000, which will be used to fund the business of Pan Andean and for general corporate purposes.

Issuance of common shares by Lions Bay as consideration for the Acquisition under the terms of the Share Exchange Agreement among Lions Bay, Pan Andean and the Pan Andean shareholders will result in the creation of a new "Control Person" as that term is defined in the policies of the Exchange, which requires the approval by Lions Bay's disinterested shareholders. It is Lions Bay's intention to obtain the required disinterested shareholder approval by way of written consent.

The Acquisition and related transactions contemplated by the Share Exchange Agreement are subject to conditions precedent typical of a transaction of its nature, including prior acceptance by the Exchange, which acceptance has not been given as of the date of this release. There are no assurances as to if, or when, Exchange acceptance of the Acquisition and the Financing will be received.

The Acquisition and the concurrent Financing are anticipated to close as soon as practicably possible following receipt of Exchange acceptance. Upon completion of the Acquisition, Lions Bay anticipates that it will be listed as a Tier 2 Investment Issuer pursuant to the initial listing requirements of the Exchange.

There can be no assurance that the Acquisition and the Financing will be completed as proposed or at all or that the Exchange will approve the Share Exchange Agreement and the transactions contemplated thereby.