

LIONS BAY CAPITAL INC. (A Capital Pool Company)
SEPTEMBER 29, 2017

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS FROM OPERATIONS – FOR THE QUARTER AND YEAR ENDED MAY 31, 2017

The following information should be read in conjunction with the financial statements and related notes of Lions Bay Capital Inc. (the "Company" or "Lions Bay") for the year ended May 31, 2017 which has been prepared in accordance with International Financial Reporting Standards ("IFRS"). All reported amounts are stated in Canadian dollars unless otherwise indicated. Additional information relating to the Company is available on the SEDAR website at www.sedar.com by searching under the Company's name.

Forward Looking Financial Statements & Cautionary Factors that may affect Future Results

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe", "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements. Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. See "Risks and Uncertainties".

Nature of Operations

The Company 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.

Going Concern

These financial statements have been 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 May 31, 2017, the Company had no source of operating revenues, had an accumulated deficit of (\$649,339) 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.

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.

Pursuant to the Share Exchange Agreement, Lions Bay agreed to purchase all of the issued and outstanding shares of Pan Andean from the Pan Andean shareholders. 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 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 (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").

Results from Operations and Loss for the Quarter and Year Ended May 31, 2017

	Three Months Ended		Year Ended	
	2017	May 31 2016	2017	May 31 2016
	\$	\$	\$	\$
Expenses				
Accounting and audit	40,428	17,202	52,282	27,325
Filing & shareholder fees	11,244	2,677	25,060	13,663
Legal fees	34,284	-	50,446	974
	<u>85,956</u>	<u>19,879</u>	<u>127,788</u>	<u>41,962</u>
Other Income				
Interest expense	<u>1,866</u>	<u>-</u>	<u>3,768</u>	<u>-</u>
Total Loss and Comprehensive Loss	<u>(87,822)</u>	<u>(19,879)</u>	<u>(131,556)</u>	<u>(41,962)</u>
Loss per common share				
- Basic and fully diluted	<u>(0.02)</u>	<u>(0.00)</u>	<u>(0.04)</u>	<u>(0.01)</u>

Results from Operations for the Quarter Ended May 31, 2017

By March 2017, the Company had entered into a Share Exchange Agreement with Pan Andean related to a potential QT and incurred additional expenses through the balance of the fiscal year to complete the transaction. The additional legal and accounting costs incurred largely relate to preparing required materials to be filed with the Exchange.

In comparison to the prior year, the Company had been maintaining expenditures to a minimum which it was still in the process of evaluating a suitable potential QT.

Results from Operations for the Year Ended May 31, 2017

By March 2017, the Company had entered into a Share Exchange Agreement with Pan Andean related to a potential QT and incurred additional expenses through the balance of the fiscal year to complete the transaction. The additional legal and accounting costs incurred largely relate to preparing required materials to be filed with the Exchange.

In comparison to the prior year, the Company had been maintaining expenditures to a minimum which it was still in the process of evaluating a suitable potential QT.

Liquidity and Capital Resources

At May 31, 2017, the Company had a net working capital deficit of <\$168,206>, comprised of cash of \$36,989 and total current liabilities of \$205,195, comprised of trade and other payables of \$98,427, a current loan with Arcourt Resources of \$56,238 and a current loan with Pan Andean for \$50,530.

In September 2016, the Company entered into a loan agreement with Arcourt Resources NL for a total principal amount of up to \$37,000, which was subsequently amended and increased to be up to \$53,000, is unsecured and bears interest of 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.

In March 2017, the Company entered a loan agreement with Pan Andean Capital PTY Ltd (“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.

Compared to the prior year at May 31, 2016, the Company had a net working capital deficit of <\$36,650>, comprised of cash of \$6,759 and current trade and payables of \$43,409.

The year over year net decrease in net working capital of <\$131,556> is attributed to the net loss incurred during the current year of <\$131,556>.

Selected Annual Information

The following financial data are selected information for the Company for the three most recently completed financial years:

		Years Ended May 31	
	2017	2016	2015
Total Revenues	nil	nil	nil
Other Income	nil	nil	61,000
Total Loss and Comprehensive Loss	(131,556)	(41,962)	(50,782)
Basic & Fully Diluted Loss per Share	(0.04)	(0.01)	(0.02)
Cash Dividends	nil	nil	nil
Total Assets	36,989	6,759	11,870
Total Long-Term Liabilities	nil	nil	nil

Financial Instruments

The Company’s current financial instruments consist of cash, and trade and other payables, along with respective loans with Arcourt Resources and with Pan Andean, which are initially measured at fair value and subsequently measured at amortized cost.

Financial instruments that potentially subject the Company to significant concentrations of credit risk is are cash. The Company limits its exposure to credit risk by placing its cash with high credit quality institutions. The maximum exposure to loss arising from cash is equal to the carrying value.

Off-Balance Sheet Arrangements

None

Related Party Transactions

None

Accounting standards, interpretations and amendments to existing standards that are not yet effective

The following standards, interpretations and amendments, which have not been applied to in these financial statements, will or may have an effect on the Company’s future financial statements. The Company is in the process of evaluating these new standards.

IAS 7 Statement of Cash Flows - The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from

cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 12 Income Taxes - IAS 12 has amendments to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. Application of the standard is mandatory for annual periods beginning on or after January 1, 2017. Currently, no impact on the Company's consolidated financial statements is expected.

IFRS 2 Share-based Payments - The IASB issued amendments to IFRS 2 in relation to classification and measurement of share-based payment transactions. The amendments address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, the classification of a share-based payment transaction with net settlement features for withholding tax obligations, and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. Due to the terms of the Company's share-based payments this standard is not expected to impact the consolidated financial statements.

IFRS 9 Financial Instruments - IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. It also introduces a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. Application of the standard is mandatory for annual periods beginning on or after January 1, 2018, with early application permitted. Based on current operations, the Company does not expect this standard to have significant financial reporting implications.

None of the other new standards, interpretations and amendments, which have not been adopted early, are expected to have a material effect on the Company's future financial statements.

Subsequent Event

None

Summary of Selected Quarterly Information

	Quarter Aug 31 2016 \$	Quarter Nov 30 2016 \$	Quarter Feb 28 2017 \$	Quarter May 31 2017 \$	Year May 31 2017 \$
Net Loss and Comprehensive Loss	(5,150)	(18,827)	(19,757)	(87,822)	(131,556)
Basic and Fully Diluted Loss per Share	(0.00)	(0.01)	(0.01)	(0.02)	(0.04)
Weighted Average Number of Common Shares (net of shares held in escrow) - Basic and fully diluted	3,535,168	3,535,168	3,535,168	3,535,168	3,535,168

	Quarter Aug 31 2015 \$	Quarter Nov 30 2015 \$	Quarter Feb 28 2016 \$	Quarter May 31 2016 \$	Year May 31 2016 \$
Net Loss and Comprehensive Loss	(5,429)	(7,429)	(9,225)	(19,879)	(41,962)
Basic and Fully Diluted Loss per Share	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Weighted Average Number of Common Shares (net of shares held in escrow) - Basic and fully diluted	2,155,168	2,155,168	3,343,520	3,535,168	3,173,201

Share Information

	Issued	Authorized
Share Capital		
Common Shares	3,535,168	unlimited
Common Shares – Held in escrow	500,000	
Preferred Shares	<u>Nil</u>	unlimited
Total Common Shares	4,035,168	
Stock Options	<u>150,000</u>	
Total Share Capital		
- on a fully diluted basis	<u>4,185,168</u>	

Disclosure controls and procedures and internal control over financial reporting

On November 23, 2007, the British Columbia Securities Commission exempted Venture Issuers, such as the Company, from certifying disclosure controls and procedures as well as internal controls over financial reporting as of December 31, 2007, and thereafter. Upon adopting those requirement changes, the Company currently files basic certificates which do not include assessments relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109.

Risks and Uncertainties

The Company was incorporated on April 19, 2010. It has no active business or assets other than cash. It does not have a history of positive earnings, nor has it paid any dividends and will not generate earnings or pay dividends until at least after the completion of the QT. Its shares do not have a long period of trading history. Furthermore, there can be no assurance that a QT will be completed at all. For a discussion of the additional risks and uncertainties which may have an impact on the Company, readers are referred to the Company's final prospectus dated August 26, 2010 and other documents relating to the Company which can be found on the SEDAR website at www.sedar.com by searching under the Company's name.