

**LIONS BAY CAPITAL INC.**

**FILING STATEMENT**

**Dated as at September 28, 2017**

**Neither the TSX Venture Exchange Inc. (the “Exchange”) nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this Filing Statement.**

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## GLOSSARY

*The following is a glossary of certain terms used in this Filing Statement. Unless otherwise defined in this Filing Statement, defined terms used in this Filing Statement that are defined in the policies of the TSX Venture Exchange have the meaning ascribed to the term by such policies and defined terms used in this Filing Statement that are defined in the Share Exchange Agreement have the meaning ascribed to the term in the Share Exchange Agreement. All dollar amounts used in this Filing Statement are in Canadian dollars, unless otherwise stated.*

“**22<sup>nd</sup> Yeneb**” means Twenty-Second Yeneb Pty. Ltd., a private Australian company beneficially owned by John Byrne and his spouse;

“**Acquisition**” means the acquisition by Lions Bay of all of the issued ordinary shares and ordinary share purchase warrants of Pan Andean under the terms of the Share Exchange Agreement;

“**Affiliate**” means a company that is affiliated with another company as described below.

A company is an “Affiliate” of another company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same person.

A company is “controlled” by a person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that person, and
- (b) the voting securities, if voted, entitle the person to elect a majority of the directors of the company.

A person beneficially owns securities that are beneficially owned by:

- (c) a company controlled by that person, or
- (d) an Affiliate of that person or an Affiliate of any company controlled by that person;

“**AGG**” means Aqua Guardian Group Limited, an unlisted Australian corporation;

“**Arcourt**” means Arcourt Resources NL, a private Australian corporation, of which John Byrne is a 75% beneficial owner;

“**Arm’s Length Transaction**” means a transaction which is not a Related Party Transaction;

“**Associate**” when used to indicate a relationship with a person or company, means:

- (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,
- (b) any partner of the person or company,
- (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person serves as trustee or in a similar capacity,
- (d) in the case of a person, a relative of that person, including:
  - (i) that person’s spouse or child, or
  - (ii) any relative of the person or of his spouse who has the same residence as that person;

but

- (e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member

corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company;

“**ASX**” means the Australian Securities Exchange, operated by ASX Limited;

“**BCBCA**” means the British Columbia *Business Corporations Act*;

“**Capital Pool Company**” or “**CPC**” means a company:

- (a) that has been incorporated or organized in a jurisdiction in Canada;
- (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and
- (c) in regard to which the Final Exchange Bulletin has not yet occurred;

“**Change of Control**” includes situations where after giving effect to the contemplated transaction and as a result of such transaction:

- (a) any one person holds a sufficient number of the voting shares of the issuer or resulting issuer to affect materially the control of the issuer or resulting issuer, or
- (b) any combination of persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding, hold in total a sufficient number of the voting shares of the issuer or resulting issuer to affect materially the control of the issuer or resulting issuer,

where such person or combination of persons did not previously hold a sufficient number of voting shares to affect materially the control of the issuer or resulting issuer. In the absence of evidence to the contrary, any person or combination of persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, holding more than 20% of the voting shares of the issuer or resulting issuer is deemed to materially affect the control of the issuer or resulting issuer.

“**Closing**” means the completion of the transactions contemplated by the Share Exchange Agreement including the Financing;

“**Common Shares**” means the common shares without par value in the capital of Lions Bay;

“**company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

“**Completion of the QT**” or “**Completion of the Qualifying Transaction**” means the date the Final Exchange Bulletin is issued by the Exchange;

“**Control Person**” means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

“**CPC Escrow Agreement**” means the Exchange Form 2F CPC Escrow Agreement dated May 31, 2010, among Lions Bay, Olympia Trust Company (now Computershare Investor Services Inc.) as Escrow Agent and the founding directors and officers of Lions Bay;

“**CPC Option Plan**” means the 2010 Stock Option Incentive Plan implemented by Lions Bay’s Board of Directors in conjunction with its listing on the Exchange, which limits the number of Common Shares issuable pursuant to stock options granted under the CPC Option Plan to 157,500 Common Shares, which was 10% of Lions Bay’s issued and outstanding Common Shares on completion of its initial public offering;

“**CPC Policy**” means Policy 2.4 – *Capital Pool Companies* of the Exchange;

“**Exchange**” means the TSX Venture Exchange Inc.;

“**Filing Statement**” means this filing statement dated September 28, 2017;

“**Final Exchange Bulletin**” means the Exchange Bulletin which is issued following closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange acceptance of the Qualifying Transaction;

“**Financing**” means a non-brokered private placement offering by Lions Bay of up to 16,000,000 Common Shares at a per share price of \$0.05 for aggregate gross proceeds of \$800,000, which will close concurrent with Closing of the Acquisition;

“**Golden Reign**” means Golden Reign Resources Inc, a British Columbia company, the common shares of which are publically traded on the Exchange under trading symbol GRR;

“**Insider**” if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer;
- (b) a director or senior officer of the company that is an Insider or subsidiary of the issuer;
- (c) a person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or
- (d) the issuer itself if it holds any of its own securities;

“**Jervois**” means Jervois Mining Limited, an Australian corporation the common shares of which are traded publically on the ASX under code JRV;

“**Kalina**” means Kalina Power Limited, an Australian corporation, the common shares of which are traded publically on the ASX under code KPO;

“**New Option Plan**” means the 10% rolling stock option incentive plan intended to be adopted and implemented by the Board of Directors of Lions Bay concurrent with Completion of the Qualifying Transaction;

“**Non-Arm’s Length Party**” means in relation to a company, a Promoter, officer, director, other Insider or Control Person of that company (including an issuer) and any Associates or Affiliates of any of such persons; and in relation to an individual, means any Associate of the individual or any company of which the individual is a Promoter, officer, director, Insider or Control Person;

“**Pan Andean**” means Pan Andean Capital Pty Ltd., an Australia corporation, the issued shares and warrants of which are proposed to be purchased by Lions Bay constituting the Acquisition under the terms of the Share Exchange Agreement;

“**Pan Andean Creditors**” means those creditors of Pan Andean listed in Schedule F to the Share Exchange Agreement;

“**Pan Andean Warrants**” means share purchase warrants issued by Pan Andean entitling the purchase of 10,000,000 ordinary shares in the capital of Pan Andean at a per share exercise price of A\$0.05 until February 1, 2020;

“**person**” means a company or an individual;

“**Promoter**” means , if used in relation to an issuer, a person who acting alone or in concert with one or more other persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer, or in connection with the founding, organization or substantial reorganization of the business of an issuer, directly or indirectly receives, in consideration of services or property or both, 10% or more of a class of the issuer’s own securities or 10% or more of the proceeds from the sale of a class of the issuer’s own securities of a particular issue;

“**Purchased Shares**” means all of the issued and outstanding ordinary shares in the capital of Pan Andean being purchased by Lions Bay under the terms of the Share Exchange Agreement;

“**QT**” or “**Qualifying Transaction**” means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means, in this instance being the purchase by Lions Bay of 100% of the issued shares of Pan Andean;

“**Related Party Transaction**” has the meaning ascribed to that term by Exchange Policy 5.9, and includes a related party transaction that is determined by the Exchange, to be a Related Party Transaction; the Exchange may deem a transaction to be a Related Party Transaction where the transaction involves Non-Arm’s Length Parties, or other circumstances exist which may compromise the independence of the issuer with respect to the transaction;

“**Resulting Issuer**” means the issuer that was formerly a CPC that exists upon issuance of the Final Exchange Bulletin, in this instance, Lions Bay on Completion of the QT. As described in this Filing Statement, Lions Bay expects to become a Tier 2 Investment issuer pursuant to the policies of the Exchange upon Completion of the QT;

“**Sellers**” means the registered and beneficial owners of all of the issued and outstanding shares of Pan Andean who are, collectively, John Newton, Gaye Newton, and Drawone Pty Limited, a privately held Australian corporation of which John Newton and Gaye Newton are the registered and beneficial owners of all of the issued and outstanding shares;

“**Share Exchange Agreement**” means the binding agreement made as of March 6, 2017, as subsequently amended, among Lions Bay, Pan Andean and the Sellers pursuant to which Lions Bay has agreed to acquire Pan Andean; and

“**Value Security Escrow Agreement**” means the Exchange Form 5D Escrow Agreement to be entered into concurrent with Closing of the Acquisition by Lions Bay, Computershare Investor Services Inc., as Escrow Agent, and the Sellers and Pan Andean Creditors who will be issued Payment Shares on Closing of the Acquisition in accordance with the terms of the Share Exchange Agreement.

## FORWARD-LOOKING STATEMENTS & RISKS

The information provided in this Filing Statement may contain forward-looking statements and forward-looking information about **Lions Bay Capital Inc.** (“**Lions Bay**”) and/or the Resulting Issuer after giving effect to the QT, within the meaning of applicable securities laws. In addition, Lions Bay may make or approve certain statements or information in future filings with Canadian securities regulatory authorities, in news releases, or in oral or written presentation by representatives of Lions Bay that are not statements of historical fact and may also constitute forward-looking statements or forward-looking information. All statements and information, other than statements of historical fact, made by Lions Bay that address activities, events, or developments that Lions Bay expects or anticipates will or may occur in the future are forward-looking statements and information including, but not limited to, statements and information preceded by, followed by, or that include words such as “may”, “would”, “could”, “will”, “likely”, “except”, “anticipate”, “believe”, “intends”, “plan”, “forecast”, “project”, “estimate”, “outlook”, or the negative of those words or other similar or comparable words.

Forward-looking statements and information involve significant risks, assumptions, uncertainties and other factors that may cause actual results, events or realities to differ materially from those anticipated, expressed or implied in forward-looking statements or information and, accordingly, should not be read as guarantees of future performance, results or realities. These risks and factors include, but are not limited to, risks relating to the Resulting Issuer’s ability to execute its business plan, availability of financing, dependence on key personnel, competition and risks associated with doing business in the emerging social media sector.

In particular, this Filing Statement contains forward-looking statements pertaining to the following expectations and the key assumptions upon which the forward-looking statements are based:

- expectations and anticipated benefits as a result of the QT;
- anticipated results from proposed business plans, strategies and objectives, including the ability to source other investments;
- ability to achieve the Resulting Issuer’s growth strategy;
- expectations regarding future revenue from investments;
- expectations regarding the ability to raise capital in the future;
- expectations regarding operating expenses in future periods, including expenditures to achieve business objectives and general and administrative expenses; and
- expectations that key personnel will continue their employment, involvement and/or relationship with the Resulting Issuer.

Lions Bay believes the expectations reflected in such forward-looking statements and information are reasonable but no assurance can be given that these expectations will prove to be correct and actual results, performance or realities could differ materially from that expressed in, or implied by, any forward-looking statements or information in this Filing Statement. Accordingly, investors should not place undue reliance on any such forward-looking statements or information. Further, any forward-looking statement or information speaks only as of the date on which such statement is made, and Lions Bay undertakes no obligation to update any forward-looking statements or information to reflect information, events, results, circumstances or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law, including securities laws. All forward-looking statements and information contained in this Filing Statement and in other documents of Lions Bay are qualified by such cautionary statements. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the Resulting Issuer’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

For a more detailed discussion of certain risk factors, see Part IV – Risk Factors.

## SUMMARY OF FILING STATEMENT

*The following is a summary of selected information relating to Lions Bay, the Acquisition and the Resulting Issuer and should be read together with the more detailed information and financial data and statements contained elsewhere, or incorporated by reference, in this Filing Statement.*

*Refer to the “Glossary of Terms” for the definitions of certain abbreviations and terms used in this Filing Statement.*

### General

This Filing Statement has been prepared in accordance with Exchange Policy 2.4 and Exchange Form 3B2 – *Information Required in a Filing Statement for a Qualifying Transaction.*

Lions Bay Capital Inc. is a CPC under the policies of the Exchange. As a CPC, the principal business of Lions Bay is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction.

On November 19, 2010, Lions Bay completed its offering and began trading on the Exchange under the symbol “LBI.P” as a CPC on November 23, 2010.

### The Acquisition

On February 15, 2017, Lions Bay announced the terms of the proposed QT. This QT is proposed to be effected through the acquisition of 100% of Pan Andean, which owns investments in a number of publicly traded companies as well as a receivable from AGG. Lions Bay proposes to issue up to 70,000,000 new common shares at \$0.05 each to the owners of Pan Andean, or at their direction to certain creditors of Pan Andean, as consideration for the purchase.

In acquiring Pan Andean, Lions Bay will own a diversified portfolio of investment assets, predominantly consisting of publicly traded companies. See Part I – Information Concerning Lions Bay – General Development of the Business, Part II – Information Concerning Pan Andean – Narrative Description of the Business, and Part III – Information Concerning the Resulting Issuer – Narrative Description of the Business – Business Objectives and Milestones.

### The Financing

Concurrent with completion of the QT, Lions Bay will complete a non-brokered private placement financing consisting of up to 16,000,000 common shares at a price of \$0.05 per common share, for aggregate gross proceeds of up to \$800,000, which will be used for advancing the business of Pan Andean.

See Part I – Information Concerning Lions Bay – The Financing.

### Interest of Insiders, Promoters or Control Persons

The shareholdings of each Insider, Promoter or Control Person of Lions Bay and their respective Associates and Affiliates before and after giving effect to the Acquisition and Completion of the QT are as follows:

<b>Name and relationship</b>	<b>Common Shares Owned Before and After Completion of the QT</b>			
	<b>Before<sup>(1)</sup></b>		<b>After<sup>(2)</sup></b>	
John Ross MacLachlan - current director and Promoter of Lions Bay and proposed director of the Resulting Issuer	780,000	19.3%	780,000	0.9%

Name and relationship	Common Shares Owned Before and After Completion of the QT			
	Before <sup>(1)</sup>		After <sup>(2)</sup>	
Rick Wilson - current President, CEO and a director of Lions Bay	170,000	4.2%	170,000	0.2%
David Turner - current director of Lions Bay	50,000	1.2%	50,000	0.1%

<sup>(1)</sup> As of the date of this Filing Statement.

<sup>(2)</sup> Percentage ownership after Completion of the QT assumes no further Common Shares are issued by Lions Bay subsequent to the date of this Filing Statement and prior to Completion of the QT other than 16,000,000 Common shares under the Financing and a maximum 70,000,000 Payment Shares pursuant to the Share Exchange Agreement as consideration for the Acquisition. See in Part I – Information Concerning Lions Bay, “Description of Securities” and “Prior Sales”; and see in Part III – Information Concerning the Resulting Issuer, “Description of Securities” and “Fully Diluted Share Capital”.

No Insider of Lions Bay, nor any of their respective Associates or Affiliates, will receive any consideration from Lions Bay, or otherwise, as a result of the QT.

See Part I – Information Concerning Lions Bay – The Acquisition; see in Part III – Information Concerning the Resulting Issuer, “Principal Shareholders”, “Directors, Officers and Promoters”, “Management”, “Promoter Consideration” and “Escrowed Securities”; and see also Part IV – Risk Factors.

### Arm’s Length Transaction

The Acquisition was negotiated by the parties dealing at arm’s length with each other and, in accordance with the policies of the Exchange, is an Arm’s Length Transaction and not a Non-Arm’s Length Qualifying Transaction. See Part I – Information Concerning Lions Bay – Arm’s Length Transaction.

### Available Funds and Principal Purposes

Based on the working capital of both Lions Bay and Pan Andean at August 31, 2017, and the gross proceeds of the Financing (assuming the Financing is fully subscribed for), on Closing the Resulting Issuer will have approximately \$1,131,347<sup>(3)</sup> available to fund its operations. The Resulting Issuer proposes using the funds available to it as follows:

Use of Available Funds	Amount
Estimate of balance of the costs related to Completion the QT, including legal and audit fees and other expenses of Lions Bay, plus share issue costs .....	40,000
Estimate of listing fees and applicable taxes payable to the Exchange on Completion of the QT .....	30,000
Repayment of the Arcourt Loan (estimated principal and accrued interest as at August 31, 2017) .....	57,574
Proposed expenditure on AGG <sup>(1)</sup> .....	300,000
Proposed investment in shares of publicly-listed issuers <sup>(1)</sup> .....	265,672
Estimated general and administrative expenses for 12 months following Completion of the QT <sup>(2)</sup> .....	326,000
Unallocated working capital .....	112,101 <sup>(3)</sup>
<b>Total</b>	<b>\$1,131,347<sup>(3)</sup></b>

<sup>(1)</sup> See Part III – Information Concerning the Resulting Issuer – Narrative Description of the Business – Business Objectives and Milestones.

<sup>(2)</sup> General and administrative expenses of the Resulting Issuer following Completion of the QT are estimated as: legal (\$25,000), audit (\$15,000), regulatory fees (\$15,000), CEO compensation (\$120,000), CFO compensation (\$48,000), non-executive directors’ compensation (\$48,000), travel (\$5,000), rent and office services including accounting services (\$48,000) and ancillary expenses (\$2,000). See also Part III – Information Concerning the Resulting Issuer – Executive Compensation.

<sup>(3)</sup> The Share Exchange Agreement provides that, on Closing, Pan Andean shall have no liabilities, the indebtedness of Pan Andean to the Pan Andean Creditors to be settled by issuance of some of the Payment Shares to be issued by Lions Bay as consideration for the Acquisition. See Part I – Information Concerning Lions Bay – The Acquisition – The Share Exchange Agreement.

There may be circumstances where, for sound business reasons, the reallocation of funds may be necessary in order for the Resulting Issuer to achieve its stated business objectives. See in Part III – Information Concerning the Resulting Issuer, “Narrative Description of the Business” and “Available Funds and Principal Purposes”.

### **Selected Pro Forma Consolidated Financial Information**

#### **Consolidated balance sheet data (unaudited):**

Total assets .....	\$3,479,327
Total current liabilities .....	\$36,594
Deferred tax liabilities .....	\$1,661
Total shareholders’ equity .....	\$3,441,072

See Part III – Information Concerning the Resulting Issuer – Pro Forma Consolidated Capitalization and Appendix 4 – Proforma Consolidated Balance Sheet of the Resulting Issuer.

### **Details Respecting Lions Bay’s Listing**

On November 23, 2010, Lions Bay began trading on the Exchange under the symbol LBI.P as a CPC. On October 23, 2012, Lions Bay was put on notice by the Exchange of a potential suspension from trading of its Common Shares and/or delisting for failure to complete a Qualifying Transaction within 24 months of its listing date. Exchange policy stipulates that if a CPC has not completed a Qualifying Transaction within the time frame prescribed by policy, rather than be delisted a CPC may apply for listing on NEX, a separate board of the Exchange that provides a trading forum for listed companies that have fallen below the Exchange’s continued listing requirements. At an annual general and special meeting of shareholders of Lions Bay held on December 18, 2012, shareholders passed an ordinary resolution by disinterested vote, as required by Exchange policy, approving transfer of the listing of Lions Bay’s Common Shares from the Exchange to NEX should Lions Bay not complete a Qualifying Transaction within the time period prescribed by the policies of the Exchange and such time period is not otherwise extended by the Exchange. At the request of Lions Bay, on February 14, 2013, Lions Bay’s listing was transferred and its Common Shares commenced trading on NEX under symbol LBI.H. See Part I – Information Concerning Lions Bay – Stock Exchange Price.

### **Conditional Listing Acceptance**

The Acquisition and related transactions contemplated by the Share Exchange Agreement, as well as the Financing, are subject to acceptance by the Exchange, which acceptance has not been given as of the date of this Filing Statement. There are no assurances as to if, or when, Exchange acceptance will be received.

### **Sponsorship**

Lions Bay has requested from the Exchange a waiver of the sponsorship requirements under Exchange Policy 2.2. There are no assurances as to if, or when, Exchange acceptance will be received. See Part V – General Matters – Sponsorship.

### **Conflicts of Interest**

Conflicts of interest may arise as a result of the directors, officers and Promoters of Lions Bay also holding positions as directors or officers of other companies. Some of those individuals have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors, officers and Promoters of Lions Bay will be in direct competition with Lions Bay. See in Part III – Information Concerning the Resulting Issuer, “Directors, Officers and Promoters” and “Conflicts of Interest”.

## **Interests of Experts**

In connection with the QT, no expertised reports, valuations or opinions were relied on by Lions Bay in the preparation of, nor is reference to any such report, valuation or opinion included in, this Filing Statement. See Part V – General Matters – Experts.

## **Summary of Risk Factors**

An investment in the Common Shares (both before and after Completion of the Qualifying Transaction) should be considered highly speculative due to Lions Bay's current status as a Capital Pool Company and the nature of the proposed business of the Resulting Issuer, being that of an investment company.

Completion of the QT is subject to a number of conditions including, but not limited to, Exchange approval and written shareholder approval by a majority of Lions Bay's disinterested shareholders. There can be no assurance that the QT will be completed as proposed, or at all. The QT may not receive acceptance by the Exchange.

The QT is also subject to a number of risks including, but not limited to, the Exchange may not approve the QT or the QT may not produce the anticipated results.

The Resulting Issuer will be, via its investments, subject to risks applicable to natural resource companies as well as regulatory and political risks; operations in foreign jurisdictions are subject to additional risks; the Resulting Issuer's investment portfolio will be exposed to and sensitive to macro-economic conditions; a majority of the Resulting Issuer's investments are subject to equity price risk; the Resulting Issuer will face substantial competition; the Resulting Issuer will have a limited operating history and limited financial resources; additional financing may be required for the Resulting Issuer to acquire additional investment interests; control of the Resulting Issuer will be, for the foreseeable future, in the hands of one shareholder and the sale of shares by the principal shareholder could impact the market price of the Common Shares; the market for the Resulting Issuer's securities may be limited; the Resulting Issuer does not expect to declare any dividends in the foreseeable future; the Resulting Issuer will be dependent on a small number of key individuals and the directors and officers of the Resulting Issuer may become subject to conflicts of interest; the Resulting Issuer will have unlimited authorized but unissued shares, which could result in potential dilution; and there is uncertainty of use of available funds.

Finally, the market price of a publicly-traded stock is affected by many variables not directly related to the corporate performance of the issuer, including the market in which it is traded, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock.

See Part IV – Risk Factors.

## PART I - INFORMATION CONCERNING LIONS BAY CAPITAL INC.

### Name and Incorporation

Lions Bay Capital Inc. (“**Lions Bay**”) was incorporated under the British Columbia *Business Corporations Act* (the “**BCBCA**”) on April 19, 2010.

Lions Bay’s head office is located at Unit 101 – 4705 Wayburne Drive, Burnaby, British Columbia, V5G 3L1 and its registered office is located at Suite 530 – 355 Burrard Street, Vancouver, British Columbia V6C 2G8.

As of the date of this Filing Statement, the directors and officers of Lions Bay are John Ross MacLachlan (Director), David Turner (Director), and Richard Douglas Wilson (Director, CEO, CFO and Secretary). See Part III – Information Concerning the Resulting Issuer – Directors, Officers and Promoters.

### General Development of the Business

After incorporation, Lions Bay applied to be listed on the TSX Venture Exchange (the “**Exchange**”) as a Capital Pool Company (a “**CPC**”) under the policies of the Exchange.

As a CPC, Lions Bay’s only business to date has been to identify and evaluate businesses or assets with a view to completing a Qualifying Transaction. CPC policies provide that until Completion of the Qualifying Transaction, not more than the lesser of 30% of the gross proceeds from the sale of all securities issued by Lions Bay under its CPC prospectus and \$210,000 will be used for purposes other than evaluating business or assets that constitute a Qualifying Transaction.

### *History*

On November 19, 2010, Lions Bay completed its initial public offering of securities, having issued 1,000,000 Common Shares (as defined herein) without par value in the capital of Lions Bay at a per share price of \$0.20 for gross proceeds of \$2,000,000, and began trading on the Exchange under the symbol LBLP as a CPC on November 23, 2010. Haywood Securities Inc. (the “**IPO Agent**”) acted as agent for the initial public offering and received a commission of 10% of the gross proceeds of the offering and a corporate finance fee of \$10,000 plus applicable taxes. Payment of half of each of the commission and the corporate finance fee was satisfied by the issuance by Lions Bay to the IPO Agent of an aggregate 75,000 Common Shares at a deemed per share price of \$0.20. Lions Bay also reimbursed IPO Agent for its expenses in connection with the offering and granted to the IPO Agent an option to acquire up to 100,000 Common Shares at a per share price of \$0.20 exercisable until November 23, 2012. The IPO Agent partially exercised the option prior to its expiry and was issued 3,500 Common Shares for proceeds to Lions Bay of \$700. See Part I – Information Concerning Lions Bay – Prior Sales.

On October 11, 2011, Lions Bay entered into a letter agreement with Finsbury Exploration Ltd. (“**Finsbury**”), a mineral exploration company based in Vancouver, British Columbia, which letter agreement was superseded and replaced effective November 29, 2011, by an arrangement agreement pursuant to which Lions Bay agreed to acquire all of the issued and outstanding shares of Finsbury in exchange for the issuance of Common Shares such that Finsbury would become a wholly-owned subsidiary of Lions Bay and Lions Bay would hold, through its then wholly-owned subsidiary, a 100% interest in the Gnat Pass property located in Northern British Columbia and certain surrounding claims. This acquisition was intended to serve as Lions Bay’s Qualifying Transaction under the policies of the Exchange. On July 19, 2012, Lions Bay announced that the arrangement agreement with Finsbury had been terminated, such that the acquisition of Finsbury by Lions Bay was not completed.

On October 23, 2012, Lions Bay was put on notice by the Exchange of a potential suspension from trading of its Common Shares and/or delisting for failure to complete a Qualifying Transaction within 24 months of its listing date. Exchange policy stipulates that if a CPC has not completed a Qualifying Transaction within the time frame prescribed by policy, rather than be delisted a CPC may apply for listing on NEX, a separate board of the Exchange that provides a trading forum for listed companies that have fallen below the Exchange’s continued listing

requirements. At an annual general and special meeting of shareholders of Lions Bay held on December 18, 2012, shareholders passed an ordinary resolution by disinterested vote, as required by Exchange policy, approving transfer of the listing of Lions Bay's Common Shares from the Exchange to NEX should Lions Bay not complete a Qualifying Transaction within the time period prescribed by the policies of the Exchange and such time period is not otherwise extended by the Exchange. At the request of Lions Bay, on February 14, 2013, Lions Bay's listing was transferred and its Common Shares commenced trading on NEX under symbol LBI.H. See in Part I – Information Concerning Lions Bay, “Prior Sales” and “Stock Exchange Price”.

Lions Bay entered into a letter agreement dated November 25, 2012, with Wasabi Energy Limited (“**Wasabi**”), a company incorporated under the laws of and with head office in Australia, pursuant to which Lions Bay would acquire from Wasabi: (i) Wasabi's rights to acquire all of the outstanding shares of Newmont Assets Limited; (ii) 100% of the royalties to be received in the future from an exclusive license for the Greater China market (all applications) granted to Shanghai Shenge New Energy Resources Science & Technology Co, Ltd.; and (iii) an exclusive license to the Kalina Cycle® Technology for the rest of Asia (excluding the Cement and Lime Plant industry) for combined consideration of cash and post-Consolidated Common Shares. This acquisition was intended to serve as Lions Bay's Qualifying Transaction under the policies of the Exchange. Completion of the acquisition was subject to a number of conditions, including but not limited to Exchange acceptance, completion of a post-consolidation private placement financing by Lions Bay for aggregate proceeds of up to \$18,000,000 (a portion of which could have been carried out as a subscription receipt financing), receipt of all required Board approvals and third-party consents, satisfaction of certain conditions precedent related to purchase of certain of the assets by Wasabi, and satisfaction of due diligence and continued business operation by the parties customary to a transaction of this nature.

On December 6, 2012, Lions Bay completed the first tranche of a non-brokered private placement offering of 400,000 Common Shares at a per share price of \$0.16 for gross proceeds of \$64,000, the proceeds used by Lions Bay for general corporate purposes.

On October 1, 2013, Lions Bay terminated the letter agreement with Wasabi, in accordance with the terms of the letter agreement, such that the acquisition of assets by Lions Bay from Wasabi was not completed.

Lions Bay entered into a letter of intent dated December 16, 2013, with Energreen Investment S.A.R.L. (“**Energreen**”) pursuant to which it was agreed that Lions Bay would acquire Energreen by way of a share exchange, plan or arrangement, amalgamation and negotiations began with a view to settling and signing a definitive agreement that would set out in full the terms of the proposed acquisition, including the amount of consideration payable to the Energreen shareholders. By mutual agreement and as documented in a termination agreement dated January 13, 2015, Lions Bay and Energreen terminated the proposed acquisition, as well as terminated a loan agreement dated June 27, 2014, whereby Energreen loaned \$61,000 to Lions Bay, and documented forgiveness of Lions Bay's indebtedness to Energreen pursuant to the loan, and each released and discharged the other party from any and all past, present or future claims, demands or obligations. In consideration of Lions Bay releasing Energreen from all past, present or future obligations in connection with the proposed acquisition, Energreen has paid Lions Bay a break fee of \$20,000.

In March 2014, in contemplation of completing the acquisition of Energreen noted above, Lions Bay completed a non-brokered private placement financing having issued 5,263,465 Special Warrants at a price of \$0.15 per Special Warrant, for aggregate gross proceeds of \$789,519.75. The gross proceeds raised under the Special Warrants financing were held in escrow, to be released to Lions Bay on completion of the acquisition of Energreen and then to be used by Lions Bay to fund the business of Energreen and for general corporate purposes.

On March 6, 2014, Lions Bay completed a non-brokered private placement financing having issued an aggregate 676,668 Common Shares at a per share price of \$0.15 for aggregate gross proceeds of \$101,500.20 to be used by Lions Bay to complete the acquisition of Energreen.

In January 2015, on termination of the proposed acquisition by Lions Bay of Energreen, subscription proceeds held in escrow under the terms of the Special Warrant financing were returned to the subscribers of the Special Warrants, together with accrued interest on a pro rata basis, less applicable withholding tax.

On January 7, 2016, Lions Bay issued 240,000 Common Shares at a deemed per share price of \$0.05 in settlement of \$12,000 of accrued consulting fees; and on January 15, 2016, issued 1,140,000 Common Shares at a per share price of \$0.05 for aggregate proceeds of \$57,000. Funds raised by the private placement were used by Lions Bay for general corporate purposes and for the evaluation of businesses and assets with a view to completing a Qualifying Transaction.

Effective February 13, 2017, Lions Bay entered into a letter of intent with Pan Andean Capital Pty Ltd. (“**Pan Andean**”) and, subsequently, entered into a binding share exchange agreement made as of March 6, 2017, with Pan Andean and its shareholders pursuant to which Lions Bay has agreed to acquire (the “**Acquisition**”) all of the issued and outstanding shares and share purchase warrants of Pan Andean in exchange for Lions Bay Common Shares and share purchase warrants to acquire Lions Bay Common Shares. The Acquisition is intended to serve as Lions Bay’s Qualifying Transaction. See “The Acquisition” and “The Share Exchange Agreement”, which follow. Upon issuance of the Final Exchange Bulletin in connection with the Acquisition and the Financing (as both terms are defined herein) and on Completion of the Qualifying Transaction, the Resulting Issuer will be a Tier 2 Investment issuer pursuant to the initial listing requirements of the Exchange.

With the exception of entering into agreements contemplating the prior terminated transactions noted above, the entering into of letter agreements in connection with the Arcourt Loan and the Pan Andean Loan (as both terms are defined herein, see “Loans to Lions Bay” below), and the entering into of the Share Exchange Agreement with Pan Andean and its shareholders, Lions Bay has not to date conducted commercial operations and has had no assets other than cash.

See in this Part I – Information Concerning Lions Bay, “Prior Sales” and “Material Contracts” and see Part II – Information Concerning Pan Andean.

### **The Acquisition**

In accordance with the terms of a binding share exchange agreement (the “**Share Exchange Agreement**”) made as of March 6, 2017, as subsequently amended, Lions Bay has agreed to acquire 100% of Pan Andean, which owns investments in a number of publicly traded companies as well as a receivable from AGG, for maximum deemed consideration of \$3,500,000. See “The Share Exchange Agreement”, which follows.

Assuming completion of the Acquisition as proposed, Pan Andean will become a wholly-owned subsidiary of Lions Bay and Pan Andean’s business operations and assets will become the business operations and asset of Lions Bay, the Resulting Issuer. In acquiring Pan Andean, Lions Bay will own a diversified portfolio of investment assets, predominantly consisting of publicly traded companies. See in Part II – Information Concerning Pan Andean, “General Development of the Business” and “Narrative Description of the Business”.

The Acquisition was negotiated by the parties dealing at arm’s length with each other and, in accordance with the policies of the Exchange, it is an Arm’s Length Transaction and not a Non-Arm’s Length Qualifying Transaction.

See “The Share Exchange Agreement” and “The Financing”, which follow; and see also Part I – Information Concerning Lions Bay – Arm’s Length Transaction and in Part III – Information Concerning the Resulting Issuer, “Fully Diluted Share Capital”, “Principal Shareholders”, “Directors, Officers and Promoters”, “Management”, “Promoter Consideration” and “Escrowed Securities”. See also Part IV – Risk Factors.

### ***The Share Exchange Agreement***

Pursuant to the Share Exchange Agreement made as of March 6, 2017, as subsequently amended as noted above, Lions Bay agreed to purchase all of the issued and outstanding shares of Pan Andean (the “**Purchased Shares**”) from Drawone Pty Limited, John Newton and Gaye Newton (together, the “**Sellers**”). 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, up to a maximum of \$3,500,000. The Purchase Price will be paid by the issuance of up to 70,000,000 Common Shares of Lions Bay (the “**Payment Shares**”) at the deemed price of \$0.05 per share. In addition, warrants issued by Pan Andean for the

purchase of an aggregate 10,000,000 shares of Pan Andean at a per share exercise price of A\$0.05 (the “**Pan Andean Warrants**”) will be exchanged for warrants to purchase an aggregate 10,000,000 Common Shares of Lions Bay at a per share exercise price of C\$0.05, all subject to the approval of the Exchange.

The Purchase Price will be determined utilizing the Australian to Canadian exchange rate calculated as the mid-point between the bank buy rate and the bank sell rate, published on the Royal Bank of Canada website at 12:00 p.m., Pacific time, on the Valuation Date. The Share Exchange Agreement includes a list of all of the shares owned by Pan Andean in publicly traded companies and the value of such shares on the date of the Share Exchange Agreement (the “**Agreement Value**”) and provides that Pan Andean may continue to buy and sell shares in publicly traded companies until the Valuation Date. If the value of all of the publicly traded shares owned by Pan Andean on the Valuation Date plus any cash received by Pan Andean on the sale of publicly traded shares not used to purchase other such shares (together, the “**Portfolio Value**”) is at least 95% of the Agreement Value, then in determining the Purchase Price, Pan Andean’s publicly listed shares will be valued at the Agreement Value, however, if the Portfolio Value is not at least 95% of the Agreement Value, then in determining the Purchase Price, Pan Andean’s publicly listed shares will be valued at the Portfolio Value.

The Share Exchange Agreement provides that on Closing, Pan Andean shall have no liabilities and that the Sellers may direct that some of the Payment Shares be issued to creditors of Pan Andean (the “**Pan Andean Creditors**”) in settlement of the indebtedness of Pan Andean to such creditors, it being understood that any such liabilities to be settled by the issuance of Payment Shares to Pan Andean Creditors relate to loans made to Pan Andean for the purchase of publicly listed shares and the recent funding by Pan Andean of Aqua Guardian Group Limited (“**AGG**”), an unlisted Australian corporation.

The Share Exchange Agreement includes customary representations and warranties as well as customary conditions precedent to Closing, including Exchange approval.

Assuming the maximum consideration is payable under the terms of the Share Exchange Agreement and assuming the Financing (as defined herein, see “The Financing” below) is fully subscribed and completed as proposed:

- the Sellers will own approximately 2.3% of the Common Shares of the Resulting Issuer;
- the Pan Andean Creditors will own approximately 75.5% of the Common Shares of the Resulting Issuer (see “Payment Shares in Settlement of Debt”, which follows);
- the subscribers to the Financing (as defined herein, see “The Financing” below) will own approximately 17.8% of the Common Shares of the Resulting Issuer; and
- Lions Bay’s current shareholders will hold approximately 4.5% of the Common Shares of the Resulting Issuer.

All of the Payment Shares will be subject to a hold period of four months and one day from the date of Closing of the Acquisition in accordance with applicable securities legislation and the policies of the Exchange and will also be subject to the terms of a Form 5D Value Security Escrow Agreement. See Part III – Information Concerning the Resulting Issuer – Escrowed Securities.

This summary is qualified in its entirety by the Share Exchange Agreement, a copy of which has been electronically filed by Lions Bay with regulators and is available for viewing through the Internet under Lions Bay’s issuer profile on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

### ***Payment Shares in Settlement of Debt***

In accordance with the terms of the Share Exchange Agreement, it is contemplated that the following Common Shares of Lions Bay (Payment Shares in accordance with the Share Exchange Agreement), estimated as of the date of this Filing Statement, will be issued concurrent with Closing of the Acquisition in settlement of indebtedness owing by Pan Andean to certain of the Pan Andean Creditors, subject to adjustment on the Valuation Date in accordance with the terms of the Share Exchange Agreement:

<b>Pan Andean Creditor</b>	<b>Payment Shares (estimated) to be issued in settlement of Pan Andean debt<sup>(4)</sup></b>	<b>% (estimated) of Payment Shares<sup>(4)</sup></b>
Arcourt Resources NL <sup>(1)</sup>	4,401,187	6.3%
John Byrne Private Pension Fund <sup>(1)</sup>	12,393,404	17.7%
Twenty-Second Yeneb Pty Ltd. <sup>(1)</sup>	42,313,348	60.5%
Camtan Pty Limited <sup>(1)</sup>	500,000	0.7%
Alwyn Davey	89,754	0.1%
Keshwaran Thurairasa <sup>(2)</sup>	99,726	0.1%
Cornelius Horgan	398,904	0.6%
1029258 BC Limited	498,631	0.7%
Drawone Pty Limited ATF Newton Investment Trust <sup>(3)</sup>	4,108,584	5.9%
John and Gaye Newton AFT Drawone Super Fund <sup>(3)</sup>	3,125,000	4.5%
<b>Estimated Payment Shares to be issued in settlement of Pan Andean debt</b>	<b>67,928,538</b>	<b>97.0%</b>

<sup>(1)</sup> Associate of John Byrne, a proposed director and the proposed President and Chief Executive Officer of the Resulting Issuer. See in Part III – Information Concerning the Resulting Issuer, “Principal Shareholders”, “Directors, Officers and Promoters”, “Management”, “Executive Compensation” and “Escrowed Securities”.

<sup>(2)</sup> Proposed Chief Financial Officer and Corporate Secretary of the Resulting Issuer. See in Part III – Information Concerning the Resulting Issuer, “Directors, Officers and Promoters”, “Management”, “Executive Compensation” and “Escrowed Securities”.

<sup>(3)</sup> Associate of John Newton, a proposed director of the Resulting Issuer. See in Part III – Information Concerning the Resulting Issuer, “Directors, Officers and Promoters”, “Management”, “Promoter Consideration” and “Escrowed Securities”.

<sup>(4)</sup> Assumes issuance of the maximum 70,000,000 Payment Shares issuable under the terms of the Share Exchange Agreement. Subject to adjustment on the Valuation Date, these Payment Shares (estimated as of the date of this Filing Statement) will be issued by the Resulting Issuer to the Sellers and to the Pan Andean Creditors in accordance with the terms of the Share Exchange Agreement and will be subject to a hold period of four months and one day from the date of Closing of the Acquisition in accordance with applicable securities legislation and the policies of the Exchange and will be subject to escrow restrictions in accordance with the policies of the Exchange. See Part I – Information Concerning Lions Bay – The Acquisition – The Share Exchange Agreement and see in Part III – Information Concerning the Resulting Issuer – Escrowed Securities.

See in Part III – Information Concerning the Resulting Issuer, “Pro Forma Consolidated Capitalization”, “Fully Diluted Share Capital”, “Principal Shareholders”, “Directors, Officers and Promoters”, “Management”, Executive Compensation and “Escrowed Securities”. See also Part II – Information Concerning Pan Andean – Material Contracts.

### ***Approval Requirements***

#### ***Lions Bay Shareholder Approval***

The transactions contemplated by the Share Exchange Agreement and the issuance of the Payment Shares as contemplated thereunder will result in the creation of John Byrne as a new “Control Person”, as such term is defined in the policies of the Exchange, as Mr. Byrne will beneficially own, directly or indirectly, or effectively exercise control or direction over an aggregate of approximately 58,735,768 Common Shares of the Resulting Issuer’s issued and outstanding Common Shares on Completion of the QT (assuming issuance of the maximum 70,000,000 Payment Shares and Closing of a fully subscribed for Financing as proposed) representing approximately 65.2% of the Resulting Issuer’s issued and outstanding Common Shares. See in Part III – Information Concerning the Resulting Issuer, “Principal Shareholders”, “Directors, Officers and Promoters”, “Management”, “Executive Compensation” and “Escrowed Securities”; and see Part IV – Risk Factors.

As such and prior to Closing of the Acquisition as contemplated by the Share Exchange Agreement, Exchange policy requires approval of the creation of a Control Person by Lions Bay’s disinterested shareholders, by simple

majority, with the votes attaching to Common Shares beneficially owned or over which control or direction is exercised by John Byrne to be excluded from voting (“**Disinterested Shareholder Approval**”).

It is Lions Bay’s intention to obtain the required Disinterested Shareholder Approval by way of written consent.

As of the date of this Filing Statement, the Sellers have confirmed to Lions Bay that they do not beneficially own, either directly or indirectly, nor do they exercise control or direction over any Lions Bay Common Shares. As of the date of this Filing Statement, John Byrne, a proposed director, President and Chief Executive Officer of the Resulting Issuer, owns and/or exercises control or direction over 228,125 Common Shares representing approximately 5.7% of the current issued and outstanding Common Shares of Lions Bay and Kesh Thurairasa, the proposed Chief Financial Officer and Corporate Secretary of the Resulting Issuer owns and/or exercises control or direction over 31,250 Common Shares representing approximately 0.8% of the current issued and outstanding Common Shares of Lions Bay.

All of the directors and officers of Lions Bay as of the date of this Filing Statement, who own collectively an aggregate 1,000,000 Common Shares or approximately 24.8% of the current issued and outstanding Common Shares, have confirmed that they intend to vote in favour of the Acquisition.

#### *Exchange Approval*

The Acquisition is subject to, and conditional upon, the approval of the Exchange, which has not been obtained as at the date of this Filing Statement. There is no guarantee that Exchange approval will be given.

#### ***Closing of the Acquisition***

Closing of the Acquisition and the Financing will occur following receipt by Lions Bay of all required regulatory approvals. As soon as the date for Closing has been determined, notice thereof will be disseminated by Lions Bay by news release.

#### **The Financing**

In accordance with the terms of the Share Exchange Agreement with respect to minimum funding covenants, 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 \$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.

Finder’s fees in amounts yet to be determined may be paid by Lions Bay to arm’s length parties who introduce subscribers under the Financing.

Net proceeds from the Financing will be used by the Resulting Issuer to fund its operations following Completion of the QT. In accordance with the terms of the Share Exchange Agreement, if on Completion of the QT the Resulting Issuer only has the minimum amount of \$500,000 then approximately 50% of these funds will be allocated as follows: (i) approximately \$200,000 towards the business of AGG and the preparations for an anticipated initial public offering of the shares of AGG; and (ii) approximately \$50,000 towards further investment by Pan Andean in Jervois Mining Limited and/or other publicly listed shares to be determined by the parties to the Share Exchange Agreement prior to Closing. See Part II – Information Concerning Pan Andean – Narrative Description of the Business and Part III – Information Concerning the Resulting Issuer – Available Funds and Principal Purposes.

Completion of the Financing is subject to Exchange acceptance of the Financing and acceptance of the Acquisition. There are no assurances as to if, or when, Exchange acceptance will be received.

See in Part I – Information Concerning Lions Bay, “Description of Securities” and “Prior Sales”. See also in Part III – Information Concerning the Resulting Issuer, “Pro Forma Consolidated Capitalization”, “Fully Diluted Share Capital” and “Available Funds and Principal Purposes”. See also Part IV – Risk Factors.

### Loans to Lions Bay

Arcourt Resources NL (“**Arcourt**”), a private Australian corporation, of which John Byrne is a 75% beneficial owner, has loaned (the “**Arcourt Loan**”) to Lions Bay the principal amount of \$53,000 with interest calculated at 10% per annum payable on repayment of the Arcourt Loan. The Arcourt Loan is evidenced by a letter agreement dated September 5, 2016, as amended and restated on January 9, 2017. The principal amount of the Arcourt Loan plus accrued interest is repayable on the earlier of (i) completion by Lions Bay of its Qualifying Transaction, and (ii) March 5, 2018, 18 months after the original date of the Arcourt Loan letter agreement. The principal amount of the Arcourt Loan is to be used by Lions Bay to cover costs associated with meeting its continuous disclosure obligations under applicable securities legislation and payment of annual sustaining fees under the policies of the Exchange. On Closing, outstanding principal and accrued interest owing under the Arcourt Loan will be paid in cash. As at August 31, 2017, \$57,574 of principal and accrued interest was owing by Lions Bay to Arcourt under the Arcourt Loan. See in Part III – Information Concerning the Resulting Issuer, “Available Funds and Principal Purposes”.

Pan Andean has agreed to loan (the “**Pan Andean Loan**”) to Lions Bay the principal amount of up to \$50,000 with interest calculated at 10% per annum payable on repayment of the Pan Andean Loan. The Pan Andean Loan is evidenced by a letter agreement dated March 1, 2017. The principal amount of the Pan Andean Loan plus accrued interest is repayable on the earlier of (i) completion by Lions Bay of its Qualifying Transaction, and (ii) September 1, 2019, 18 months after the date of the Pan Andean Loan letter agreement. The principal amount of the Pan Andean Loan is to be used by Lions Bay to cover costs associated with completing its Qualifying Transaction. On Closing, outstanding principal and accrued interest owing by Lions Bay under the Pan Andean Loan will become an inter-company loan as between the Resulting Issuer and its wholly-owned subsidiary for consolidated financial reporting purposes. As at August 31, 2017, \$51,787 of principal and accrued interest was owing by Lions Bay to Pan Andean under the Pan Andean Loan.

### Selected Financial Information

The following financial data is a summary extracted from audited financial statements for Lions Bay’s financial years ended May 31, 2016, 2015 and 2014, and for its nine-month unaudited interim period ended February 28, 2017. This selected financial information should be read in conjunction with Lions Bay’s financial statements, including the notes thereto, which have been electronically filed with regulators and are available for viewing through the Internet on Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and are attached to this Filing Statement as Appendix 1.

	<b>Nine months ended February 28, 2017 (unaudited)</b>	<b>Year ended May 31, 2016 (audited)</b>	<b>Year ended May 31, 2015 (audited)</b>	<b>Year ended May 31, 2014 (audited)</b>
Total expenses .....	\$43,734	\$41,962	\$111,782	\$104,995
Amounts deferred in conjunction with the Acquisition.....	Nil	Nil	Nil	Nil

### Management’s Discussion and Analysis

Management’s Discussion and Analysis for Lions Bay’s financial year ended May 31, 2016, and for its nine-month unaudited interim period ended February 28, 2017, have been electronically filed with regulators and are available for viewing through the Internet on Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and are attached to this Filing Statement as Appendix 1.

## **Description of Securities**

Lions Bay has authorized capital of an unlimited number of common shares (“**Common Shares**”) without nominal or par value and an unlimited number of preferred shares issuable in series with special rights or restrictions attached. As of the date of this Filing Statement, there are 4,035,168 Common Shares and no preferred shares issued and outstanding.

### ***Common Shares***

Holders of Common Shares are entitled to one vote per Common Share at meetings of shareholders, to dividends if, as and when declared by the directors, and, upon liquidation, to receive such assets of Lions Bay as are distributable to holders of Common Shares. The Common Shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights.

### ***Preferred Shares***

Lions Bay is also authorized to issue an unlimited number of Preferred shares without par value, issuable in series with special rights or restrictions attached, none of which are issued and outstanding as of the date of this Filing Statement and none of which are proposed to be issued in connection with either the Acquisition or the Financing.

### ***Incentive Stock Options***

As of the date of this Filing Statement, there are incentive stock options outstanding entitling the purchase of an aggregate 150,000 Common Shares of Lions Bay, which options are held by Lions Bay’s current directors. See “Stock Option Plan”, which follows.

See in this Part I, “The Acquisition”, “The Financing” and “Loans to Lions Bay” for details of securities proposed to be issued concurrent with Closing of the Acquisition and the Financing; and see in Part III – Information Concerning the Resulting Issuer, “Description of Securities”, “Options to Purchase Securities”, “New Stock Option Plan”, “Pro Forma Consolidated Capitalization” and “Fully Diluted Share Capital”.

## **Stock Option Plan**

### ***CPC Option Plan***

Lions Bay has adopted an incentive stock option plan (the “**CPC Option Plan**”) which provides that the Board of Directors of Lions Bay may from time to time, in its discretion and in accordance with Exchange policy, grant to directors and officers of and technical consultants to Lions Bay and their permitted assigns, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares upon completion of Lions Bay’s initial public offering (being a reserve of 157,500 Common Shares). Such options will be exercisable for a period of up to ten years from the date of grant, to be determined by the Board at the time of grant. In accordance with the policies of the Exchange, the number of Common Shares to be issued upon exercise of options granted to any individual director or officer will not exceed 5% of the issued and outstanding Common Shares on completion of Lions Bay’s initial public offering and the number of Common Shares to be issued upon exercise of options granted to all technical consultants will not exceed 2% of the issued and outstanding Common Shares on completion of Lions Bay’s initial public offering.

Notwithstanding the terms of the CPC Option Plan described above, the CPC Policy of the Exchange imposes certain restrictions on incentive stock options during the period that Lions Bay remains a CPC. Such restrictions shall remain in place until the Exchange issues the Final Exchange Bulletin. Under Exchange policy, Lions Bay, while it remains a CPC, is limited to granting incentive stock options to only directors and officers of and technical consultants to Lions Bay. The maximum number of Common Shares reserved under option for issue to any individual officer or director may not exceed five per cent of the Common Shares outstanding on closing of Lions Bay’s initial public offering and the maximum number of Common Shares reserved under option for issue to all technical consultants may not exceed two per cent of the Common Shares outstanding on closing of Lions Bay’s

initial public offering. In addition, while Lions Bay is a CPC, it is prohibited from granting options to any employees or any person providing Investor Relations Activities (as defined under Exchange policies), promotional or market making services. The exercise price per Common Share under any option granted by Lions Bay while it is a CPC may not be less than the greater of \$0.20 and the Discounted Market Price (as defined under Exchange policies).

For so long as Lions Bay is a CPC, options granted under the CPC Option Plan to an optionee that does not continue as a director, officer or employee of or a consultant to the Resulting Issuer have a maximum term of 12 months after the date of Completion of the Qualifying Transaction. For an optionee that does continue as a director, officer or employee of or a consultant to the Resulting Issuer, options have a maximum term of the earlier of November 23, 2020 and 90 days following cessation of the optionee’s position with the Resulting Issuer, provided that if the cessation of office, directorship or consulting arrangement is by reason of death or disability, the option may be exercised within a maximum period of one year after the date of such death or disability, subject to the expiry date of the option, and further provided that the option terminates immediately if cessation is for cause.

Any Common Shares acquired pursuant to the exercise of options prior to the Completion of the Qualifying Transaction, must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued. See Part III – Information Concerning the Resulting Issuer – Escrowed Securities.

Options to acquire an aggregate 150,000 Common Shares are currently outstanding under the CPC Option Plan, all of which are exercisable at a price of \$0.20 per Common Share. The options were issued to founding officers and directors of Lions Bay for their role in creating and managing Lions Bay, as well as their efforts in completing the proposed Qualifying Transaction, and were fully vested and exercisable on the date Lions Bay’s Common Shares were listed on the Exchange.

The following table sets out all options granted by Lions Bay and outstanding as of the date of this Filing Statement.

<u>Name and Position with Lions Bay</u>	<u>Common Shares underlying options<sup>(1)</sup></u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Richard W. Wilson <i>Chief Executive Officer, Chief Financial Officer, Secretary and Director</i>	51,000	\$0.20	November 23, 2020 <sup>(3)</sup>
J. Ross MacLachlan <sup>(2)</sup> <i>Director</i>	75,000	\$0.20	November 23, 2020
David Turner <i>Director</i>	24,000	\$0.20	November 23, 2020 <sup>(3)</sup>
<b>Total</b>	<b>150,000</b>		

<sup>(1)</sup> In accordance with Exchange policies, all Common Shares acquired on exercise of stock options prior to Completion of the QT must be deposited in escrow and will be subject to the terms of the CPC Escrow Agreement. See Part III – Information Concerning the Resulting Issuer – Escrowed Securities.

<sup>(2)</sup> See Part III – Information Concerning the Resulting Issuer – Directors, Officers and Promoters.

<sup>(3)</sup> These options will expire one year after Completion of the Qualifying Transaction as neither Mr. Wilson or Mr. Turner will continue as a director or officer of, or consultant to, the Resulting Issuer.

### ***New Option Plan***

As of the date of this Filing Statement, it is proposed that concurrent with closing of the Acquisition and Completion of the Qualifying Transaction the Board of Directors of Lions Bay (then the Resulting Issuer) will adopt and implement a new stock option incentive plan (the “**New Option Plan**”) that reserves for issuance a maximum of 10% of the issued and outstanding Common Shares of the Resulting Issuer at the time of a grant of options under the New Option Plan. On adoption of the New Option Plan, the CPC Option Plan will terminate and any options then outstanding under the CPC Option Plan will be governed by the New Option Plan.

The New Option Plan was approved by Lions Bay's shareholders, for adoption and implementation by the Board concurrent with Completion of the Qualifying Transaction, at the annual general meeting of Lions Bay's shareholders held on December 9, 2014. The New Option Plan is subject to Exchange acceptance. There are no assurances as to if, or when, Exchange acceptance will be received. Any options granted under the New Option Plan prior to receipt of Exchange and additional shareholder approvals cannot be exercised until such approvals are received.

#### *Summary of the New Option Plan*

The aggregate number of Common Shares reserved for issuance under the New Option Plan, and the number of Common Shares reserved for issuance under any other share compensation arrangement granted or made available by the Resulting Issuer from time to time, may not exceed 10% of the outstanding Common Shares at the time of grant. The New Option Plan must be approved and ratified by shareholders and submitted to the Exchange for approval on an annual basis.

The New Option Plan will be administered by the Board of Directors of the Resulting Issuer and will provide for grants of options to directors, officers and employees of and consultants to the Resulting Issuer at the discretion of the Board. The term of any options granted under the New Option Plan will be fixed by the Board of Directors and may not exceed ten years. The exercise price of options granted under the New Option Plan will be determined by the Board of Directors, but the exercise price must not be less than the Fair Market Value (as such term is defined in the New Option Plan) of the option shares on the date of grant of the option. As the Common Shares are listed on the Exchange, the Fair Market Value (as such term is defined in the New Option Plan) is the lowest price permitted by the Exchange. Any options granted pursuant to the New Option Plan will terminate at the end of the period of time (to be determined in each instance by the Board of Directors at the time of grant), such period of time to not be in excess of six months after the option holder ceases to act as a director, officer or employee of or consultant to the Resulting Issuer or any of its Affiliates, unless such cessation is on account of death, disability or termination of employment with cause; and if no such period of time is determined by the Board of Directors at the time of the grant, the 30<sup>th</sup> day after the optionee ceases to be an eligible person pursuant to the terms of the New Option Plan for any reason other than death, disability or cause. If such cessation is on account of disability or death, the options terminate on the first anniversary of such cessation, and if it is on account of termination of employment with cause, the options terminate immediately. Options granted to a person who is engaged in investor relations activities for the Resulting Issuer will terminate on the 30<sup>th</sup> day after the person ceases to be employed to provide investor relations activities. The New Option Plan will also provide for adjustments to outstanding options in the event of any consolidation, subdivision, conversion or exchange of the Common Shares. The directors may, at their discretion at the time of any grant, impose a schedule over which period of time the option will vest and become exercisable by the optionee.

Options to acquire more than 2% of the then issued and outstanding Common Shares may not be granted to any one consultant in any 12-month period and options to acquire more than an aggregate of 2% of the then issued and outstanding Common Shares may not be granted in any 12-month period to persons employed to provide investor relations activities. Options granted to any one individual in any 12-month period to acquire Common Shares representing more than 5% of the issued and outstanding Common Shares require approval by the Resulting Issuer's disinterested shareholders. Disinterested shareholder approval is required if the aggregate number of shares reserved for issuance under stock options granted to insiders (as a group) at any point in time exceeds 10% of the issued Common Shares.

Subject to the approval of any stock exchange on which the securities of the Resulting Issuer are then listed, the Board of Directors may terminate, suspend or amend the terms of the New Option Plan, provided that the Board of Directors may not do any of the following without obtaining, within 12 months either before or after the adoption by the Board of Directors of a resolution authorizing such action, shareholder approval, and, where required, disinterested shareholder approval as contemplated by the policies of the Exchange, or by the written consent of the holders of a majority of the securities of the Resulting Issuer entitled to vote:

1. increase the aggregate number of Common Shares that may be issued under the New Option Plan;
2. materially modify the requirements as to the eligibility for participation in the New Option Plan that would have the potential of broadening or increasing insider participation;

3. add any form of financial assistance or any amendment to a financial assistance provision that is more favourable to participants under the New Option Plan;
4. add a cashless exercise feature, payable in cash or securities, which does not provide for a full deduction of the number of underlying securities from the New Option Plan reserve; and
5. materially increase the benefits accruing to participants under the New Option Plan.

However, the Board of Directors may amend the terms of the New Option Plan to comply with the requirements of any applicable regulatory authority without obtaining shareholder approval, including:

1. amendments to the New Option Plan of a housekeeping nature;
2. a change to the vesting provisions of a security or the New Option Plan; and
3. a change to the termination provisions of a security or the New Option Plan which does not entail an extension beyond the original expiry date.

See Part III – Information Concerning the Resulting Issuer – Options to Purchase Securities.

### Prior Sales

Since its incorporation, Lions Bay has sold the following securities:

<u>Date</u>	<u>Number of securities</u>	<u>Method of sale</u>	<u>Price per security</u>
April 19, 2010	1 Common Share <sup>(1)</sup>	Incorporator's share (cash)	\$0.20
April 19, 2010	500,000 Common Shares <sup>(2)</sup>	Seed shares (cash) <sup>(2)</sup>	\$0.20
November 19, 2010	1,000,000 Common Shares	Initial public offering (cash)	\$0.20
November 19, 2010	75,000 Common Shares <sup>(3)</sup>	IPO Agent compensation <sup>(3)</sup>	\$0.20 (deemed)
December 6, 2012	400,000 Common Shares	Private placement (cash) <sup>(4)</sup>	\$0.16
December 19, 2012	3,500 Common Shares <sup>(3)</sup>	Exercise of IPO Agent option <sup>(3)</sup>	\$0.20
March 4, 2014	5,263,465 Special Warrants <sup>(5)</sup>	Private placement (cash) <sup>(5)</sup>	\$0.15
March 6, 2014	676,668 Common Shares	Private Placement (cash)	\$0.15
January 7, 2016	240,000 Common Shares	Settlement of debt	\$0.05 (deemed)
January 14, 2016	1,140,000 Common Shares <sup>(6)</sup>	Private placement(cash) <sup>(6)</sup>	\$0.05

<sup>(1)</sup> This represents the incorporator's Common Share, which was subsequent to incorporation returned to treasury and cancelled.

<sup>(2)</sup> These Common Shares are seed shares purchased by the founding directors and officers of Lions Bay, all Non-Arm's Length Parties to Lions Bay, and are subject to escrow restrictions. See Summary of Filing Statement – Interests of Insiders, Promoters or Control Persons and see Part III – Information Concerning the Resulting Issuer - Escrowed Securities.

<sup>(3)</sup> These Common Shares were issued under Lions Bay's initial public offering. See Part I – Information Concerning Lions Bay – General Development of the Business – History.

<sup>(4)</sup> Common Shares were issued to the following Non-Arm's Length Parties:

<u>Purchaser</u>	<u>Relationship</u>	<u>Number of Common Shares</u>
John Byrne Private Pension Fund	John Byrne, a proposed director of the Resulting Issuer, and his spouse are the beneficial owners of John Byrne Private Pension Fund	228,125
Keshwaran Thurairasa	Proposed Chief Financial Officer and Corporate Secretary of the Resulting Issuer	31,250

<sup>(5)</sup> In January 2015, these Special Warrants expired, subscription proceeds held in escrow were returned to the subscribers of the Special Warrants and the Common Shares underlying the Special Warrants were not issued. See Part I – Information Concerning Lions Bay – General Development of the Business – History.

<sup>(6)</sup> Common Shares were issued to the following Non-Arm's Length Parties:

<u>Purchaser</u>	<u>Relationship</u>	<u>Number of Common Shares</u>
John Ross MacLachlan	Director and Promoter of Lions Bay and a proposed director of the Resulting Issuer	500,000

See also in this Part I – Information Concerning Lions Bay, “Description of Securities – Incentive Stock Options” and “Stock Option Plan”. See in Part III – Information Concerning the Resulting Issuer, “Principal Shareholders”, “Directors, Officers and Promoters”, “Management” and “Promoter Consideration”.

### Stock Exchange Price

Trading of Lions Bay’s Common Shares on the Exchange commenced November 23, 2010, under trading symbol LBI.P. On February 14, 2013, Lions Bay’s listing was transferred to NEX, a separate board of the Exchange that provides a trading forum for listed companies that have fallen below the Exchange’s continued listing requirements, its Tier classification changed from Tier 2 to NEX, and its trading symbol changed from LBI.P to LBI.H. The following table sets out trading information for the Common Shares for the periods indicated:

<b>Period</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Volume</b>
May 1 2017 to the date of this Filing Statement <sup>(1)</sup>	--	--	--	Nil
April 2017 <sup>(1)</sup>	--	--	--	Nil
March 2017 <sup>(1)</sup>	--	--	--	Nil
February 1 – 14, 2017 <sup>(1)</sup>	N/A	N/A	N/A	Nil
January 2017	N/A	N/A	N/A	Nil
December 2016	\$0.04	\$0.04	\$0.04	9,000
September 1 to November 30, 2016	\$0.01	\$0.01	\$0.01	22,000
June 1 to August 31, 2016	\$0.04	\$0.005	\$0.04	164,000
March 1 to May 31, 2016	\$0.005	\$0.005	\$0.005	23,000
December 1, 2015 to February 29, 2016	\$0.005	\$0.005	\$0.005	1,000
September 1 to November 30, 2015	\$0.01	\$0.005	\$0.005	23,500
June 1 to August 31, 2015	\$0.01	\$0.005	\$0.01	7,500
March 1 to May 31, 2015	\$0.05	\$0.015	\$0.015	176,090

<sup>(1)</sup> Trading of Lions Bay’s Common Shares was halted by the Exchange on February 14, 2017, at the request of Lions Bay, pending an announcement regarding the proposed Acquisition. Trading of Lions Bay’s Common Shares will remain halted until Completion of the Qualifying Transaction.

### Arm’s Length Transaction

The Acquisition was negotiated by the parties dealing at arm’s length with each other and in accordance with the policies of the Exchange is not a Non-Arm’s Length Qualifying Transaction as that term is defined in the policies of the Exchange. As such, the Acquisition is not a Related Party Transaction and is considered to be an Arm’s Length Transaction as both those terms are defined in the policies of the Exchange. See Part I – Information Concerning Lions Bay – The Acquisition.

### Legal Proceedings

Lions Bay is not a party to any legal proceedings, nor is it aware of any legal proceedings to which any of its property or assets is the subject matter, and it is not aware of any such proceedings known to be contemplated.

### Auditor

The auditor of Lions Bay is BDO Canada LLP, Chartered Professional Accountants, 600 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia V6C 3L2. See Part III – Information Concerning the Resulting Issuer – Auditor.

## **Transfer Agent and Registrar**

Lions Bay's transfer agent and registrar is Computershare Investor Services Inc., 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3B9. See Part III – Information Concerning the Resulting Issuer – Transfer Agent and Registrar.

## **Material Contracts**

Other than contracts entered into in the ordinary course of business, Lions Bay has not entered into any contracts material to investors that remain in effect as of the date of this Filing Statement other than:

1. the Form 2F CPC Escrow Agreement dated May 31, 2010 among Lions Bay, Olympia Trust Company (now Computershare Investor Services Inc.) as Escrow Agent and the founding directors and officers of Lions Bay, which is described at Part III Information Concerning the Resulting Issuer – Escrowed Securities;
2. the letter agreement dated September 5, 2016, as amended and restated on January 9, 2017, between Lions Bay and Arcourt in connection with the \$53,000 Arcourt Loan to Lions Bay, which is described at Part I – Information Concerning Lions Bay – Loans to Lions Bay;
3. the letter agreement dated March 1, 2017, between Lions Bay and Pan Andean in connection with the \$50,000 Pan Andean Loan to Lions Bay, which is described at Part I – Information Concerning Lions Bay – Loans to Lions Bay;
4. the Share Exchange Agreement dated March 6, 2017, as subsequently amended, among Lions Bay, Pan Andean and the Sellers, which sets out the terms of the Acquisition, which is described at Part I – Information Concerning Lions Bay – The Acquisition – The Share Exchange Agreement.

Concurrent with Closing of the Acquisition, Lions Bay will enter into:

- an Exchange Form 5D Value Security Escrow Agreement in accordance with the policies of the Exchange (see Part III – Information Concerning the Resulting Issuer – Escrowed Securities); and
- Shares for Debt Subscription Agreements with the Pan Andean Creditors for issuance of Payment Shares in settlement of indebtedness owing to them by Pan Andean pursuant to the terms of the Share Exchange Agreement.

See in this Part I – Information Concerning Lions Bay, “General Development of the Business” and “The Acquisition” and see in Part III – Information Concerning the Resulting Issuer – “Pro Forma Consolidated Capitalization”, “Fully Diluted Share Capital” and “Escrowed Securities”.

Copies of these agreements will be available for inspection at the offices of Getz Prince Wells LLP, solicitors for Lions Bay, located at Suite 530 – 355 Burrard Street, Vancouver, British Columbia, during ordinary business hours until the date of closing of the Acquisition and for a period of thirty days thereafter.

*All information contained in this Filing Statement with respect to Pan Andean was supplied by Pan Andean for inclusion herein. Lions Bay has no knowledge that would indicate that any statements or information contained herein as provided by or about Pan Andean are untrue or incomplete, and notwithstanding Lions Bay has completed reasonable due diligence with respect to Pan Andean and the Acquisition, Lions Bay assumes no responsibility for the accuracy of the information relating to Pan Andean that is contained in this Filing Statement or for any failure by Pan Andean to disclose events which may have occurred or may affect the significance or accuracy of any such information.*

## **PART II - INFORMATION CONCERNING PAN ANDEAN CAPITAL PTY LTD.**

### **Name and Incorporation**

Pan Andean Capital Pty Ltd. (as previously defined, “**Pan Andean**”) was incorporated under the laws of Australia on April 13, 1987, as Charterhouse Japhet International Finance Pty, Limited. On February 12, 2010, the company changed its name Pan Andean Capital Pty Ltd. Pan Andean’s head office and registered office address is Unit 3, 6<sup>th</sup> Floor, 2 Collins Street, Melbourne, Victoria, 3000, Australia.

### **Inter-corporate Relationships**

As of the date of this Filing Statement Pan Andean has no subsidiaries.

### **General Development of the Business**

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.

Pan Andean’s initial investment was in Kalina Power Limited (“**Kalina**”), an Australian corporation the common shares of which are traded publically on the Australian Securities Exchange (the “**ASX**”) under code KPO. In October 2014, Twenty-Second Yeneb Pty. Ltd. (“**22<sup>nd</sup> Yeneb**”), a private company beneficially owned by John Byrne and his spouse, loaned Pan Andean A\$1,060,000, with interest, which Pan Andean used to make a secured loan to Kalina. Kalina subsequently repaid the amount it owed Pan Andean by issuing to Pan Andean on February 26, 2015, 10,358,900 shares in the capital of Kalina at a per share price of A\$0.10.

Pan Andean subsequently underwrote a rights issue by Kalina in September 2016 and, as a result, subscribed for 10,000,000 treasury issued Kalina shares at A\$0.05 per share for gross purchase proceeds of A\$500,000. At the date of the Share Exchange Agreement, Pan Andean held 16,758,900 shares of Kalina. Kalina is a power plant provider which utilizes the Kalina Cycle Technology to produce electricity from low temperature industrial waste heat or low temperature geothermal heat.

Pan Andean has subsequently increased its holding in Kalina and has purchased shares in additional publicly listed companies as set out below.

On February 28, 2017, Pan Andean acquired 1,971,000 shares in the capital of Golden Reign Resources Limited (“**Golden Reign**”); and on May 19, 2017, Pan Andean acquired a further 625,000 shares in the capital of Golden Reign. Golden Reign is a gold mining company publicly traded on the Exchange, with its primary assets in Nicaragua.

On February 28, 2017, Pan Andean acquired 5,445,336 shares in the capital of Jervois Mining Limited (“**Jervois**”). Jervois is a resource development and exploration company based in Australia that holds exploration licenses over a number of tenements as well as royalties receivable from certain mining assets should they be developed.

On May 19, 2017, Pan Andean acquired 7,500,000 shares of Verdant Minerals Ltd. (“**Verdant**”). Verdant is a company based in Australia and involved in the discovery, development and operation of fertilizer and industrial mineral projects.

As of August 31, 2017, Pan Andean owns publicly listed shares in the capital of the following issuers:

- 16,758,900 common shares of Kalina (ASX:KPO);
- 2,596,000 common shares of Golden Reign (TSX-V:GRR);
- 5,445,336 common shares of Jervois (ASX:JRV); and
- 7,500,000 common shares of Verdant (ASX:VRM).

Pan Andean is also considering the acquisition of further potential public company shares and may sell some of the securities it currently owns in order to diversify its portfolio further. See “Narrative Description of the Business”, which follows.

As of August 31, 2017, the assets of Pan Andean also include a long term debt owing of approximately A\$700,000, valued at A\$210,000, and a short term debt of approximately A\$180,692 being acquired at face value, with these receivables due from Aqua Guardian Group (as previously defined, “**AGG**”), an Australian unlisted company active in the water sector.

Effective March 6, 2017, Pan Andean, together with the Sellers, entered into the Share Exchange Agreement with Lions Bay (as subsequently amended) pursuant to which Lions Bay has agreed to acquire all of the issued and outstanding Pan Andean shares (as previously defined, the “**Purchased Shares**”) and issue warrants to acquire Common Shares of the Resulting Issuer in exchange for the issued and outstanding Pan Andean Warrants, as a result of which Pan Andean will become a wholly-owned subsidiary of the Resulting Issuer.

See Part I – Information Concerning Lions Bay - The Acquisition; see in this Part II – Information Concerning Pan Andean, “Selected Financial Information and Management’s Discussion and Analysis”, “Consolidated Capitalization” and “Material Contracts”; and see in Part III – Information Concerning the Resulting Issuer, “Narrative Description of the Business – Business Objectives and Milestones”, “Fully Diluted Share Capital”, “Available Funds and Principal Purposes”, “Directors, Officers and Promoters”, “Management”, “Executive Compensation” and “Escrowed Securities”.

### **Narrative Description of the Business**

Pan Andean undertakes investments, primarily in publicly listed companies where, in the view of Pan Andean’s management, the investee company has opportunities with regards to its underlying business or resources, capable management and an identifiable route to cash flow and growth.

Pan Andean’s primary objective is to increase shareholder value through the identification of and investment in securities of primarily publicly listed and/or private corporations offering capital appreciation potential. Investments will be acquired and held for short-term gains or long-term capital appreciation, dependent upon the specific investment. The paramount goal of Pan Andean will be to generate maximum returns from its investments. Pan Andean may, in the future, hire professional portfolio managers to assist with meeting this objective, however, as of the date of this Filing Statement, Pan Andean has no such plans and investment decisions are made at the discretion of management.

In applying these criteria, Pan Andean’s initial portfolio of public company shares provides exposure to resource, energy and resource related technology sectors, which, in the view of Pan Andean’s management, have growth potential, capital resources for funding operations and management in place to capably deliver on their respective business plans.

While the initial investments by Pan Andean will primarily focus on public company shares, Pan Andean has also selectively invested in AGG, a water resource based company that anticipates conducting its initial public offering

of securities in the medium term, meaning over the next one to three years. AGG's Board of Directors has appointed a new management team and it is developing its business and growth strategy in conjunction with partners considered reputable by Pan Andean's management. Pan Andean is of the view that its investment in a non-publicly traded company is an example of an opportunity to invest at an early stage in a growth company that proposes to become publicly traded. Pan Andean intends to limit its investments in non-publicly traded companies to 25% of its overall portfolio.

Pan Andean will hold its investments for the short term (one year) depending on the market value of its investments.

The nature and scope of future investments by Pan Andean is undetermined as of the date of this Filing Statement. No investment restrictions have been set, no specific timetable to make future investments have been set, and no specific acquisitions or investments other than those set out under heading "General Development of Business" have been identified or negotiated. While Pan Andean has identified resource, energy and resource related technology sectors for investment, it should be noted that (i) no specific industries, regions or segments have been identified for investment, (ii) Pan Andean's management may not have expertise in particular industries, regions or segments, and (iii) there is no guarantee Pan Andean's business strategy or its investments will prove profitable.

### ***Composition of Investment Portfolio***

The nature and timing of Pan Andean's future investments will depend, in part, on available capital at any particular time and the then investment opportunities identified and available to Pan Andean. Pan Andean expects its investment activities will be primarily focused on enterprises located in Australia, the United States and Canada, although investments may extend globally (including the purchase of securities listed on foreign stock exchanges). Pan Andean expects to invest in a wide range of industries without regard to a specific policy on investment diversification. In this way, each investment will be assessed on its own merits and its potential to generate returns. Pan Andean may invest in a particular sector that it believes will continue to perform and that any risk of limited diversification may be mitigated by closely monitoring its investments and liquidating individual investments that show signs of weakness. The actual composition of Pan Andean's investment portfolio will vary over time depending on its assessment of a number of factors, including the performance of financial markets and credit risk. Pan Andean intends to focus on investments in those businesses or assets in which the intrinsic value is not properly reflected in share or other pricing.

### ***Investment Objectives***

The principal investment objectives of Pan Andean are as follows:

- to seek high return investment opportunities by investing directly in equity securities of public and private companies and assisting in early stage projects by providing financial support;
- to identify early stage opportunities with attractive risk/reward ratios;
- to preserve its capital and limit the downside risk of its capital;
- to achieve a reasonable rate of capital appreciation;
- to minimize to the degree possible the risk associated with investments in securities; and
- to seek liquidity in its investments.

Pan Andean's investment objectives, investment strategy and any investment restrictions may be amended from time to time on the recommendation of management and approval by the Board of Directors. Pan Andean does not anticipate the declaration of dividends to shareholders in the near future and plans to re-invest the profits of its investments to further the growth and development of its investment portfolio.

### ***Investment Strategy***

In pursuit of superior returns and to achieve the investment objectives as stated above, while mitigating risk, Pan Andean, when appropriate, employs the following disciplines:

- (a) obtain detailed knowledge of the relevant business in which the investment will be made, as well as the target issuer;
- (b) retain the services of parties knowledgeable in the industry depending on the specific businesses and industries in which it is focusing its investments;
- (c) maintain a flexible position with respect to the form of investment taken and may employ a wide range of investment instruments, including equity, bridge loans, secured loans, unsecured loans, convertible debentures, warrants and options, royalties, streaming investments, net profit interests and other hybrid instruments;
- (d) work closely with investee company management and, in some cases, assist in sourcing experienced and qualified persons to add to the management and/or Board of Directors of investee companies;
- (e) investments may include:
  - (i) acquisitions, short term development and resale of interests, joint venture percentage or equity holdings in the target issuer;
  - (ii) capital investment in private companies and assistance in moving them to an acquisition or merger transaction with a larger company or to the public stage through initial public offering, reverse takeover or other liquidity event;
  - (iii) early stage equity investments in public companies believed to have favourable management and business; and
  - (iv) where appropriate, acting as a third party advisor for opportunities in target or other companies, in exchange for a fee;
- (f) have flexibility on the return sought, while seeking to recapture its capital within a reasonable period following the initial investment;
- (g) seek to maintain the ability to actively review and revisit all of its investments on an ongoing basis and, from time to time, may insist on Board or management representation on target issuers;
- (h) watch for liquidity of its investments and seek to realize value from same in a prudent and orderly fashion; and
- (i) utilize the services of both independent organizations and securities dealers to gain additional information on target investments where appropriate.

Notwithstanding the foregoing, from time to time, Pan Andean's Board may authorize such investments outside of these disciplines as it sees fit for the benefit of Pan Andean and its shareholders.

As of the date of this Filing Statement and other than as noted in this Filing Statement, Pan Andean has not (i) identified any additional investment opportunities, (ii) determined the particular thresholds of returns to be earned on investments or what will constitute a reasonable rate of capital appreciation, or (iii) identified investment horizons as to how long it will hold any investment.

See Appendix 2 – Investment Policy.

### ***Competitive Conditions & Trends***

Other than the normal speculative nature of the natural resource and energy industries and as otherwise noted herein, management of Pan Andean is not aware of any trend, commitment, event or uncertainty both presently known or reasonably expected to have a material adverse effect on the business, financial condition or results of operations of

Pan Andean (or, following Completion of the QT, of the Resulting Issuer). There are no other current trends known to Pan Andean's management that are likely to impact on Pan Andean's operations or performance.

It is anticipated that Pan Andean will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than Pan Andean. Pan Andean may not be able to negotiate investments on terms acceptable to it, or at all. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of Pan Andean's operations.

See Part III – Information Concerning the Resulting Issuer – Narrative Description of the Business – Business Objectives and Milestones and Part IV – Risk Factors.

### **Selected Financial Information and Management's Discussion and Analysis**

This discussion is as of the date of the Filing Statement and is with respect to the audited interim financial statements for the nine-month period ended March 31, 2017, and the audited financial statements of Pan Andean for fiscal year(s) ended June 30, 2016, 2015 and 2014. The financial statements referred to are included in this Filing Statement as Appendix 3 and should be referred to in conjunction with reading this discussion. The financial statements summarize the financial impact of Pan Andean's financings, investments and operations.

All financial information in this Management Discussion and Analysis has been prepared in accordance with International Financial Reporting Standards and all dollar amounts are expressed in Australian dollars unless otherwise indicated.

#### ***Selected Annual and Interim Information***

The following table sets out summary financial information for Pan Andean presented in accordance with International Financial Reporting Standards, summarized from its audited financial statements for Pan Andean's fiscal year(s) ended June 30, 2016, 2015 and 2014, and from its audited financial statements for the nine month period ended March 31, 2017. This summary financial information should only be read in conjunction with Pan Andean's financial statements, including the notes thereto, included as Appendix 3 to this Filing Statement.

	<b>Nine months ended March 31, 2017</b>	<b>Year ended June 30, 2016</b>	<b>Year ended June 30, 2015</b>	<b>Year ended June 30, 2014</b>
	(audited)	(audited)	(audited)	(audited)
	A\$	A\$	A\$	A\$
Total revenue from operating activities .....	249,510	--	35,890	--
Operating expenses .....	162,477	106,000	70,667	--
Profit/ (loss) .....	66,820	(74,200)	(24,344)	--
Total assets .....	2,440,437	739,271	952,900	2
Current liabilities .....	2,519,654	1,236,717	1,130,667	--
Non-current liabilities .....	1,634	--	--	--
Cash dividends declared .....	--	--	--	--
Shareholders' equity .....	(80,852)	(497,446)	(177,767)	2

#### ***Management's Discussion and Analysis***

##### Results of Operations

As at March 31, 2017, Pan Andean generated a net capital gain from the sale of its investments in the amount of A\$249,510, had working capital deficiency of A\$239,618 (June 30, 2016 – working capital deficiency of A\$710,638), the decrease in the working capital deficiency being attributable to the increase in the value of its

financial assets. Pan Andean had accumulated losses of A\$31,724 as of March 31, 2017 (June 30, 2016 - accumulated losses of A\$98,544).

Investment in resources, energy and technology companies has a high degree of risk and there can be no assurance that current investee companies will result in profitable gains. Pan Andean has no source of revenue, but has no significant cash requirements to conduct its current investment business or to meet its administrative overhead. If Pan Andean wishes to expand its portfolio it would be required to sell some or all of its existing investee companies or raise additional capital.

As at March 31, 2017, Pan Andean had no continuing source of operating revenues and related expenditures. Pan Andean has not paid any dividends on its common shares nor does it have any present intention of paying dividends on its common shares, as it anticipates that all available funds obtained in the foreseeable future will be invested to finance its business activities.

#### *Nine Months Ended March 31, 2017*

During the nine months ended March 31, 2017, Pan Andean incurred aggregate profit of A\$66,820 and a total comprehensive income of A\$416,594. By comparison, during the nine months ended March 31, 2016, Pan Andean incurred an aggregate loss of \$55,651 and a total comprehensive income of A\$327,910, the difference being attributable to the increase in the net capital gain from the sale of its investments.

Interest revenue of A\$8,821 was earned during the nine months ended March 31, 2017 compared to nil for the same period in 2016.

Expenses during the nine months ended March 31, 2017 were A\$61,773, consisting of management fees, directors fee and auditors remuneration (2016 - A\$1).

#### *Fiscal year ended June 30, 2016*

During the year ended June 30, 2016, Pan Andean incurred aggregate expenses and a net comprehensive loss of A\$319,679. Expenses during the year ended June 30, 2016, consisted of interest charges of A\$106,000.

#### *Fiscal year ended June 30, 2015*

During the year ended June 30, 2015, Pan Andean incurred aggregate expenses and a net and comprehensive loss of A\$177,769. Expenses during the year ended June 30, 2015, consisted of interest charges of A\$70,667.

#### Liquidity, Financial Position, and Capital Resources

Pan Andean's operations consist primarily of acquisition, holding and eventual disposal of public listed shares. Pan Andean's financial success will be dependent on the extent to which it can invest in successful companies.

Pan Andean has financed its operations to date through the incurring of debt and the trading of its publicly listed shares. Pan Andean continues to seek capital through various means including the issuance of equity and/or debt.

Management believes that, subsequent to Completion of the Qualifying Transaction, Pan Andean will have sufficient funds on hand to meet anticipated administrative expenses and required investment expenditures on identified investments over the next fiscal year. See Part III – Information Concerning the Resulting Issuer – Available Funds and Principal Purposes.

Pan Andean's continuation as a going concern is dependent upon the successful results from its investment portfolio and its ability to attain profitable investments and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. See Part IV – Risk Factors.

### Nine Months Ended March 31, 2017

As at March 31, 2017, Pan Andean's liquidity and capital resources were as follows:

	Nine Months ended March 31, 2017 A\$	Year ended June 30, 2016 A\$
Cash and cash equivalents	320,852	52
Financial assets	1,934,209	526,027
Derivative financial instruments	24,975	-
Total current assets	2,280,036	526,079
Borrowings	2,519,654	1,236,717
Total current liabilities	2,519,654	1,236,717
Working capital (deficit)	(239,618)	(710,638)

As at March 31, 2017 Pan Andean had A\$320,852 in cash and cash equivalents (June 30, 2016 – A\$52). The increase in cash is attributable to the sale of publicly listed shares by Pan Andean.

### Fiscal Years Ended June 30, 2016 and June 30, 2015

As at June 30, 2016 and June 30, 2015, Pan Andean's liquidity and capital resources were as follows:

	Year ended June 30, 2016 A\$	Year ended June 30, 2015 A\$
Cash	52	2
Financial assets	526,027	876,712
Total current assets	526,079	876,714
Borrowings	1,236,717	1,130,667
Total current liabilities	1,236,717	1,130,667
Working capital (deficit)	(710,638)	(253,953)

As at June 30, 2016, Pan Andean had cash of A\$52 (2015 - A\$2) consisting mainly of proceeds from a related party. Cash increased by A\$50 during the year ended June 30, 2016 compared to the same period in 2015 due primarily to net proceeds of A\$50 (2015 - A\$2) from a related party.

### Off Balance Sheet Arrangements

Pan Andean did not have any off-balance sheet arrangements during the nine months ended March 31, 2017, during the years ended June 30, 2016, or 2015, or as of the date of this report.

### Related Party Transactions

During the year ended June 30, 2016, a director provided a loan of A\$50 on an interest free at call basis. There were no related party transactions for the nine months ended March 31, 2017, nor during the year ended June 30, 2015.

### Critical Accounting Estimates

The preparation of the financial statements in conformity with International Financial Reporting Standards requires Pan Andean's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the impairment of exploration and evaluation assets and deferred income tax asset valuation allowances.

All of Pan Andean’s significant accounting policies are included in Note 1 of its financial statements for each of the periods reflected in this report.

## Description of Securities

### Common Shares

The capital of Pan Andean is \$100,000 divided into 100,000 ordinary shares of A\$1 each (the “**Pan Andean Shares**”) of which, as of the date of this Filing Statement, two Pan Andean Shares are issued and outstanding as fully paid and non-assessable.

Holders of Pan Andean Shares are entitled to dividends if, as and when declared by the directors, to one vote per Pan Andean Share at meetings of shareholders and, upon liquidation, dissolution or winding-up of Pan Andean, to share ratably the remaining assets of Pan Andean as are distributable to holders of Pan Andean Shares. The Pan Andean Shares are not subject to call or assessment rights (except that members may be called upon to pay any monies unpaid on their shares), redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights.

The Pan Andean Shares are not listed or quoted for trading publicly on any stock exchange or stock quotation system.

Pan Andean has not issued securities that are convertible into Pan Andean Shares other than the Pan Andean Warrants.

## Consolidated Capitalization

The following sets out the capitalization of Pan Andean as at March 31, 2017 and August 31, 2017.

<u>Designation of security</u>	<u>Amount authorized or to be authorized</u>	<u>Amount outstanding as of March 31, 2017<sup>(2)</sup>, the date of the most recent balance sheet contained in this Filing Statement</u>	<u>Amount outstanding as of August 31, 2017</u>
Pan Andean Shares	100,000	2 <sup>(1)</sup> (A\$2)	2 <sup>(1)</sup> (A\$2)
Loan capital	N/A	A\$124,117	A\$180,692

<sup>(1)</sup> As of the date of this Filing Statement, Pan Andean has issued the Pan Andean Warrants, which entitle the purchase of 10,000,000 Pan Andean Shares at a per share exercise price of A\$0.05 until February 1, 2020. In accordance with the terms of the Share Exchange Agreement, the Pan Andean Warrants will be exchanged for warrants to purchase Common Shares of the Resulting Issuer concurrent with Closing of the Acquisition. See Part I – Information Concerning Lions Bay – The Acquisition and in Part III – Information Concerning the Resulting Issuer, “Description of Securities” and “Fully Diluted Share Capital”.

<sup>(2)</sup> As at March 31, 2017, Pan Andean had accumulated losses of A\$31,724.

## Prior Sales

There was no issuance by Pan Andean of securities of Pan Andean in the 12 months prior to the date of this Filing Statement. There are no proposed or planned issuances by Pan Andean of Pan Andean Shares or other securities in connection with the proposed Acquisition or otherwise.

Certain of the Payment Shares to be issued by Lions Bay under the Share Exchange Agreement in exchange for issued Pan Andean Shares will be subject to escrow restrictions (see Part III – Information Concerning the Resulting Issuer – Escrowed Securities).

## Executive Compensation

Since its incorporation, Pan Andean has not remunerated (in cash or by issuance of securities or otherwise) its officers or directors for their services as such. See Part III – Information Concerning the Resulting Issuer – Executive Compensation.

## Management Contracts

The management functions of Pan Andean are performed by the Sellers and are not to any substantial degree performed by a person other than the Sellers, who are the directors, senior officers and principal shareholders of Pan Andean. See Part III – Information Concerning the Resulting Issuer – Executive Compensation for details of compensation to be paid to the officers of the Resulting Issuer upon Completion of the QT.

## Non-Arm's Length Party Transactions

Pan Andean has entered into agreements with Associates and Affiliates of John Byrne, a proposed director, President, Chief Executive Officer and Control Person of the Resulting Issuer, for the purchase or acquisition of assets that comprise the current investment portfolio of Pan Andean. See “Material Contracts”, which follows, and see also in Part III – Information Concerning the Resulting Issuer, “Fully Diluted Share Capital”, “Principal Shareholders”, “Directors, Officers and Promoters”, “Management” and “Escrowed Securities”. See also Part IV – Risk Factors.

## Legal Proceedings

Pan Andean is not a party to any legal proceedings, nor is it aware of any legal proceedings to which any of its property or assets is the subject matter, and it is not aware of any such proceedings known to be contemplated.

## Material Contracts

Pan Andean has not entered into any contracts material to investors since its incorporation other than in the ordinary course of business and other than:

1. An option agreement (the “**Daniels County Option**”) entered into on January 20, 2017, between John Byrne or his Nominee and Davis Family Investments. The Daniels County Option provides John Byrne or his Nominee with an option to purchase for a period of one year from the date of execution of the Daniels County Option 16,100 gross acres of oil and gas leases located in Daniels County, Montana, on payment of US\$1,498,000. The consideration for the Daniels County Option was US\$20,000.

In accordance with the Daniels County Option, John Byrne agreed that he would negotiate an equity participation arrangement with Davis Family Investments with respect to any public or private company which is assigned the Daniels County Option. The Daniels County Option also provides that if Davis Family Investments arranges financing for the development of the leases, it shall receive a consulting fee set at the customary amount for doing so.

On April 4, 2017, John Byrne gave notice to Davis Family Investments that he has appointed Pan Andean as his Nominee pursuant to the terms of the Daniels County Option, noting that Pan Andean had provided the US\$20,000 consideration for the Daniels County Option and that Pan Andean, as his Nominee, would comply with the provisions of the Daniel County Option with respect to the assignment of the Daniel County Option to a public or private company and abide by the other terms and conditions of the option. Davis Family Investments has acknowledged in writing receipt of the notice and the appointment of Pan Andean as Mr. Byrne’s Nominee under the Daniel County Option.

2. A Letter Agreement dated October 31, 2014, between Pan Andean and 22<sup>nd</sup> Yeneb pursuant to which 22<sup>nd</sup> Yeneb agreed to loan Pan Andean A\$1,060,000 with interest of 10% per annum, to be used by Pan Andean to grant a secured loan to Enhanced Systems Technologies Limited (now known as Kalina). The loan made by Pan Andean to Kalina was repaid on March 10, 2015 by Kalina issuing 10,358,900 shares to Pan

Andean. The Letter Agreement provides that the loan from 22<sup>nd</sup> Yeneb to Pan Andean is to be repaid upon Pan Andean's loan to Kalina being repaid. However, 22<sup>nd</sup> Yeneb has agreed that the loan may be repaid by the issuance to it of Payment Shares under the terms of the Acquisition.

3. A Letter Agreement dated August 2, 2016, between Pan Andean and 22<sup>nd</sup> Yeneb pursuant to which 22<sup>nd</sup> Yeneb agreed to loan Pan Andean up to A\$500,000, with interest at 10% per annum, to underwrite a rights issue by Kalina. The loan and the accrued interest was to be paid 12 months from the date Pan Andean was allotted its shares under the rights issue by Kalina. Pan Andean received the shares of Kalina on September 12, 2016 so, accordingly, the loan is to be repaid on or before September 12, 2017. However, 22<sup>nd</sup> Yeneb has agreed that the loan may be repaid by the issuance to it of Payment Shares.
4. An Agreement made February 23, 2017, between Kalina and Pan Andean pursuant to which Pan Andean agreed to purchase 6,690,560 shares of AGG and indebtedness of A\$670,066 owing by AGG in consideration of A\$2 and a loan from Pan Andean to AGG of A\$200,000. The Agreement provided for Pan Andean and AGG to enter into a loan agreement for the A\$200,000 loan, this loan agreement was entered into by Pan Andean and AGG on March 3, 2017.
5. Deed of Assignment made February 28, 2017 between Arcourt and Pan Andean pursuant to which Pan Andean agreed to purchase indebtedness of A\$58,282 owing by AGG to Arcourt for the purchase price of A\$58,282, to be paid by the issuance to Arcourt of Payment Shares.
6. Agreement made February 28, 2017, among Arcourt, John Byrne Private Pension Fund (the beneficial owners of which are John Byrne and his spouse) (and Camtan Pty Limited, as the vendors, and Pan Andean, as the purchaser, pursuant to which Pan Andean agreed to purchase 1,971,000 shares of Golden Reign from the vendors for the price of \$492,750 to be satisfied by the issuance to the vendors of an aggregate 9,855,000 Payment Shares.
7. Agreement made February 28, 2017, between John Byrne Private Pension Fund and Pan Andean pursuant to which Pan Andean agreed to purchase 5,445,336 shares of Jervois from John Byrne Private Pension Fund for the price of A\$2,94,048.14 to be satisfied by the issuance to John Byrne Private Pension Fund of Payment Shares.
8. Agreement made May 19, 2017, between John Newton and Gaye Newton as trustee for Drawone Super Fund, as the vendors, and Pan Andean, as the purchaser, pursuant to which Pan Andean agreed to purchase 625,000 shares of Golden Reign from the vendors for the price of \$156,250 to be satisfied by the issuance to the vendors of Payment Shares.
9. Agreement made May 19, 2017, between Drawone Pty Limited as trustee for Newton Investment Trust, as the vendors, and Pan Andean, as the purchaser, pursuant to which Pan Andean agreed to purchase 7,500,000 shares of Verdant from the vendors for the price of A\$210,000 to be satisfied by the issuance to the vendors of Payment Shares.

See in Part I – Information Concerning Lions Bay – The Acquisition and Part II – Information Concerning Pan Andean – General Development of the Business.

Copies of these material contracts may be inspected, without charge, at the offices of legal counsel to Lions Bay, Getz Prince Wells LLP, Suite 530, 355 Burrard Street, Vancouver, British Columbia, during normal business hours until Closing and for a period of 30 days thereafter.

## PART III - INFORMATION CONCERNING THE RESULTING ISSUER

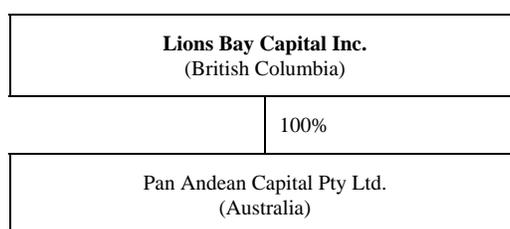
### Name and Incorporation

Following Completion of the QT, the Resulting Issuer will continue to be incorporated under the BCBCA and its corporate structure will be the corporate structure of Lions Bay. See Part I – Information Concerning Lions Bay – Name and Incorporation.

The Resulting Issuer’s head office will be located at Rear Ground Floor, 585 Burwood Road, Hawthorn, Victoria, 3122 Australia; and its registered office will be located at Suite 530, 355 Burrard Street, Vancouver, British Columbia V6C 2G8.

### Inter-corporate Relationships

Upon Completion of the QT, Pan Andean will be a wholly-owned subsidiary of the Resulting Issuer, such that the Resulting Issuer’s inter-corporate relationships will be as illustrated in the following diagram.



### Narrative Description of the Business

Assuming completion of the Acquisition and upon issuance of the Final Exchange Bulletin, the Resulting Issuer will be a Tier 2 Investment issuer pursuant to the policies of the Exchange. The Resulting Issuer’s business operations will be the operations of Pan Andean and the Resulting Issuer intends to carry out further investment in accordance with the Pan Andean Investment Policy. See Part II – Information Concerning Pan Andean – Narrative Description of the Business and Appendix 2 – Investment Policy.

### *Business Objectives and Milestones*

Following Completion of the QT, the Resulting Issuer’s primary business objective will be the business objectives of Pan Andean – that is, to maximize the share value for investors by allocating capital to investments where management and the Board of Directors believe it can achieve above average returns.

With the funds available to it as described below under heading “Available Funds and Principal Purposes”, the Resulting Issuer plans to complete, as soon as possible following Completion of the QT, further investment into AGG to progress its business to a point that it can seek an IPO. The Resulting Issuer will also review and if appropriate invest in further public company shares.

The following events must occur in order for the Resulting Issuer to accomplish its stated business objectives:

- The Exchange must give its acceptance of the Acquisition and the concurrent Financing and the Financing must close as proposed.
- The Exchange must issue the Final Exchange Bulletin.
- The Resulting Issuer will need to raise additional capital to fund its future operations.

While the Resulting Issuer may achieve revenue, income or cash flow from its investment activities, it may be, in the near term, largely dependent upon raising monies through the sale of Common Shares or debt financing to fund

its business operations. As disclosed herein, Lions Bay and Pan Andean believe the Resulting Issuer will have sufficient funds for all of its minimum needs during the first 12 months following Completion of the QT assuming Closing of the Financing as proposed. Thereafter, the Resulting Issuer will require additional funds to support its working capital requirements or for other purposes and may seek to raise additional funds through public or private equity funding, bank debt financing or from other sources. There can be no assurances that this capital will be available in amounts or on terms acceptable to the Resulting Issuer, or at all.

See Part II – Information Concerning Pan Andean – Narrative Description of the Business. See also Part IV – Risk Factors.

## **Description of Securities**

### ***Common Shares***

The authorized capital of the Resulting Issuer will be the same as the authorized capital of Lions Bay and will consist of an unlimited number of Common Shares, of which, after giving effect to the Acquisition, including the Financing, and assuming Completion of the QT, up to approximately 90,035,168 Common Shares will be issued and outstanding, on a non-diluted basis. See in this Part III – Information Concerning the Resulting Issuer, “Pro Forma Consolidated Capitalization” and “Fully Diluted Share Capital”, which follow; and see in Part I – Information Concerning Lions Bay, “Description of Securities” and “Prior Sales”.

### **Options to Purchase Securities**

As noted previously, as of the date of this Filing Statement there are incentive stock options outstanding under Lions Bay’s CPC Option Plan entitling the purchase of 150,000 Common Shares. See in Part I – Information Concerning Lions Bay, “Description of Securities – Options” and “Stock Option Plan”.

The Board of Directors of the Resulting Issuer does not intend to grant any further incentive stock options to purchase Common Shares until such time following Completion of the QT as the trading price of the Common Shares on the Exchange has stabilized such that a fair market value exercise price for incentive stock options can be determined. See “New Stock Option Plan”, which follows.

In connection with the Acquisition and in accordance with the terms of the Share Exchange Agreement, on closing, Lions Bay will issue warrants entitling the purchase an aggregate 10,000,000 Common Shares at a per share exercise price of \$0.05 in exchange for the Pan Andean Warrants. See Part I – Information Concerning Lions Bay – The Acquisition.

See also in this Part III – Information Concerning the Resulting Issuer – Fully Diluted Share Capital.

### **New Stock Option Plan**

Concurrent with closing of the Acquisition and Completion of the Qualifying Transaction, the Board of Directors of the Resulting Issuer will adopt and implement the New Option Plan that reserves for issuance a maximum of 10% of the issued and outstanding Common Shares of the Resulting Issuer at the time of a grant of options under the New Option Plan. On adoption of the New Option Plan, the CPC Option Plan of Lions Bay will terminate and any options then outstanding under the CPC Option Plan will be governed by the New Option Plan.

See “Options to Purchase Securities” above. See in Part I – Information Concerning Lions Bay – Stock Option Plan, “CPC Option Plan” and “New Option Plan”; and see in this Part III – Information Concerning the Resulting Issuer, “Description of Securities”, “Pro Forma Consolidated Capitalization” and “Fully Diluted Share Capital”.

## Pro Forma Consolidated Capitalization

The following table sets out the estimated share and loan capital of the Resulting Issuer, assuming Closing of the Acquisition and the Financing and Completion of the QT as proposed, based on the Proforma Consolidated Balance Sheet of the Resulting Issuer, as attached to this Filing Statement as Appendix 4.

<u>Designation of security</u>	<u>Amount authorized or to be authorized</u>	<u>Outstanding assuming Closing of the Acquisition, the Financing and Completion of the QT based on Proforma Consolidated Balance Sheet</u>
Common Shares	Unlimited	\$4,338,137 (90,035,168 Common Shares <sup>(1)</sup> )
Preferred shares	Unlimited	Nil
Loan capital	Nil	\$50,840 <sup>(2)</sup>

<sup>(1)</sup> See in Part III – Information Concerning the Resulting Issuer, “Options to Purchase Securities”, “New Stock Option Plan”, “Fully Diluted Share Capital” and “Escrowed Securities”.

<sup>(2)</sup> AGG loan.

See Part I – Information Concerning Lions Bay – The Acquisition and see also the Proforma Consolidated Balance Sheet of the Resulting Issuer attached to this Filing Statement as Appendix 4.

## Fully Diluted Share Capital

The following table sets out the fully diluted share capital of the Resulting Issuer on Completion of the QT, assuming Closing of the fully subscribed Financing as proposed and issuance of the maximum 70,000,000 Payment Shares under the terms of the Share Exchange Agreement.

<u>Common Shares<sup>(1)</sup></u>	<u>Outstanding assuming Closing of the Financing and Completion of the QT</u>	
	<u>Number of Common Shares<sup>(1)</sup></u>	<u>Percentage (fully diluted)<sup>(2)</sup></u>
Common Shares issued and outstanding at the date of this Filing Statement .....	4,035,168	4.0%
Common Shares issuable pursuant to the Financing.....	16,000,000 <sup>(2)</sup>	16.0%
Payment Shares issuable on Closing pursuant to the Share Exchange Agreement ...	70,000,000 <sup>(3)</sup>	69.9%
<b>Sub-total – Issued Common Shares following Closing</b>	<b>90,035,168</b>	<b>89.9%</b>
Issuable under stock options previously granted by Lions Bay pursuant to the CPC Option Plan.....	150,000	0.2%
Issuable under the existing Pan Andean Warrants to be exchanged for Warrants entitling the purchase of Common Shares of the Resulting Issuer .....	10,000,000	10.0%
<b>Total Common Shares (fully diluted)</b>	<b>100,185,168<sup>(4)</sup></b>	<b>100%</b>

<sup>(1)</sup> See Part I – Information Concerning Lions Bay – Description of Securities.

<sup>(2)</sup> Assumes the Financing is fully subscribed for as proposed. See Part I – Information Concerning Lions Bay – The Financing.

<sup>(3)</sup> Assumes issuance of the maximum 70,000,000 Payment Shares issuable under the terms of the Share Exchange Agreement. These Payment Shares will be issued by the Resulting Issuer to the Sellers and to the Pan Andean Creditors in accordance with the terms of the Share Exchange Agreement and will be subject to a hold period of four months and one day from the date of Closing of the Acquisition in accordance with applicable securities legislation and the policies of the Exchange and will be subject to escrow restrictions in accordance with the policies of the Exchange. See Part I – Information Concerning Lions Bay – The Acquisition – The Share Exchange Agreement and see in Part III – Information Concerning the Resulting Issuer – Escrowed Securities.

<sup>(4)</sup> In addition, following Completion of the QT a balance of an aggregate of approximately 8,853,516 Common Shares (based on the above calculations) will be eligible for issuance under incentive stock options available to be granted by the Resulting Issuer under the New Stock Option Plan. See in this Part III – Information Concerning the Resulting Issuer – New Stock Option Plan.

See also in this Part III – Information Concerning the Resulting Issuer, “Description of Securities”, “Principal Shareholders”, “Directors, Officers and Promoters” and “Escrowed Securities”.

## Dividends

Subject to the BCBCA, there are no restrictions in the Resulting Issuer’s Articles or elsewhere that would prevent the Resulting Issuer from declaring and paying dividends following Completion of the QT. However, it is anticipated that all available funds will be invested to finance the Resulting Issuer’s operations and, accordingly, it is not contemplated that any dividends will be paid on the Common Shares in the immediate or foreseeable future. The directors of the Resulting Issuer will determine if, and when, dividends will be paid in the future based on Lions Bay’s strategy and financial position.

## Available Funds and Principal Purposes

Based on the working capital of both Lions Bay and Pan Andean at August 31, 2017, and the gross proceeds of the Financing on Closing the Resulting Issuer will have approximately \$1,131,347 available to fund its operations, calculated as follows:

<b>Available Funds</b>	<b>Amount</b>
Lions Bay working capital deficit at August 31, 2017 .....	(\$67,505)
Pan Andean working capital at August 31, 2017 <sup>(1)</sup> .....	\$398,852
Estimated gross proceeds from Financing <sup>(2)</sup> .....	\$800,000
<b>Total funds available to the Resulting Issuer</b>	<b>\$1,131,347<sup>(1)</sup></b>

<sup>(1)</sup> The Share Exchange Agreement provides that, on Closing, Pan Andean shall have no liabilities, the indebtedness of Pan Andean to the Pan Andean Creditors to be settled by issuance of some of the Payment Shares to be issued by Lions Bay as consideration for the Acquisition. See Part I – Information Concerning Lions Bay – The Acquisition – The Share Exchange Agreement.

<sup>(2)</sup> Assumes the Financing is fully subscribed for and is completed as proposed.

The Resulting Issuer proposes using the funds available to it as follows:

<b>Use of Available Funds</b>	<b>Amount</b>
Estimate of balance of the costs related to Completion the QT, including legal and audit fees and other expenses of Lions Bay, plus share issue costs .....	40,000
Estimate of listing fees and applicable taxes payable to the Exchange on Completion of the QT .....	30,000
Repayment of the Arcourt Loan (estimated principal and accrued interest at August 31, 2017) .....	57,574
Proposed expenditure on AGG <sup>(1)</sup> .....	300,000
Proposed investment in shares of publicly-listed issuers <sup>(1)</sup> .....	265,672
Estimated general and administrative expenses for 12 months following Completion of the QT <sup>(2)</sup> .....	326,000
Unallocated working capital .....	112,101 <sup>(3)</sup>
<b>Total</b>	<b>\$1,131,347<sup>(3)</sup></b>

<sup>(1)</sup> See Part III – Information Concerning the Resulting Issuer – Narrative Description of the Business – Business Objectives and Milestones.

<sup>(2)</sup> General and administrative expenses of the Resulting Issuer following Completion of the QT are estimated as: legal (\$25,000), audit (\$15,000), regulatory fees (\$15,000), CEO compensation (\$120,000), CFO compensation (\$48,000), non-executive directors’ compensation (\$48,000), travel (\$5,000), rent and office services including accounting services (\$48,000) and ancillary expenses (\$2,000). See also Part III – Information Concerning the Resulting Issuer – Executive Compensation.

<sup>(3)</sup> The Share Exchange Agreement provides that, on Closing, Pan Andean shall have no liabilities, the indebtedness of Pan Andean to the Pan Andean Creditors to be settled by issuance of some of the Payment Shares to be issued by Lions Bay as consideration for the Acquisition. See Part I – Information Concerning Lions Bay – The Acquisition – The Share Exchange Agreement.

There may be circumstances where, for sound business reasons, the reallocation of funds may be necessary in order for the Resulting Issuer to achieve its stated business objectives.

### Principal Shareholders

To the knowledge of the directors and officers of Lions Bay and the directors and officers of Pan Andean as of the date of this Filing Statement, the following table lists the persons who will own of record or beneficially, directly or indirectly, or exercise control or direction over 10% or more of the Common Shares of the Resulting Issuer on Completion of the QT. The following disclosure assumes the maximum 70,000,000 Payment Shares are issued under the terms of the Share Exchange Agreement, assumes the Financing is fully subscribed, and assumes no participation in the Financing by any one individual such that they would then own 10% or more of the Common Shares of the Resulting Issuer on Completion of the QT.

Name and municipality of residence	Type of ownership	Number of Common Shares	Percentage assuming Closing of the Financing and the Acquisition
John Byrne Melbourne Victoria, Australia	Indirect	58,735,768 <sup>(1)</sup>	65.2% <sup>(1)</sup>

<sup>(1)</sup> Assumes issuance of the maximum 70,000,000 Payment Shares issuable under the terms of the Share Exchange Agreement and that no Common Shares are subscribed for by Mr. Byrne or his Associates or Affiliates under the Financing.

See in the Summary, “Interest of Insiders, Promoters or Control Persons” and see in this Part III – Information Concerning the Resulting Issuer, “Description of Securities”, “Pro Forma Consolidated Capitalization”, “Fully Diluted Share Capital”, “Directors, Officers and Promoters”, “Management” and “Escrowed Securities”.

### Directors, Officers and Promoters

The following table sets out the name, municipality of residence, position with the Resulting Issuer, and the number and percentage of Common Shares beneficially owned, directly or indirectly, or over which control will be exercised by each of the Resulting Issuer’s directors, officers and Promoters following Completion of the QT. Directors of the Resulting Issuer will serve for terms of one year following election at each annual general meeting of shareholders. The term of office of each of proposed directors of the Resulting Issuer will expire at the next annual general meeting of shareholders of the Resulting Issuer and each of them, if elected, will serve until the close of the next annual meeting, unless he resigns or otherwise vacates office before that time.

In accordance with the terms of the Share Exchange Agreement and on Closing:

- Rick Wilson and David Turner, current directors of Lions Bay, will resign as directors;
- Rick Wilson, Lions Bay’s Chief Executive Officer, Chief Financial Officer and Corporate Secretary will resign as an officer;
- John Byrne and John Newton will be appointed as directors of the Resulting Issuer, filling the two casual vacancies created by the resignations of Mr. Wilson and Mr. Turner;
- John Byrne will be appointed as President and Chief Executive Officer of the Resulting Issuer; and
- Keshwaran (Kesh) Thurairasa will be appointed as Chief Financial Officer and Corporate Secretary of the Resulting Issuer.

See “Management”, “Promoter Consideration” and “Executive Compensation, which follow.

The directors and officers of Pan Andean following Completion of the Qualifying Transaction, which will then be a wholly-owned subsidiary of the Resulting Issuer, will be the same as the directors and officers of the Resulting Issuer.

<b>Name and municipality of residence and positions and offices to be held with the Resulting Issuer</b>	<b>Principal occupations within the five preceding years</b>	<b>Director / Officer of Lions Bay or of Pan Andean since</b>	<b>Number of Common Shares assuming Completion of the QT and the Financing<sup>(2)</sup></b>	<b>Percentage of Common Shares assuming Completion of the QT and the Financing<sup>(2)</sup></b>
John J. Byrne <sup>(1)</sup> Melbourne Victoria, Australia <i>Director, President &amp; CEO</i>	Chairman (since July 2009) of Kalina Power Limited, a power systems company trading on the ASX.	Not Applicable; proposed director and officer of Resulting Issuer	58,735,768	65.2%
Ross MacLachlan <sup>(1)</sup> Vancouver, British Columbia, Canada <i>Director</i>	Managing Director and CEO (since October 2016) and Executive Director (since June 2015) of Kalina Power Limited, a power systems company trading on the ASX; former President and CEO (from June 2005 to December 2014) of Lignol Energy Corporation, a technology company in the cellulosic ethanol and biorefining sector.	Director of Lions Bay since April 19, 2010	780,000	0.9%
John Newton <sup>(1)</sup> Melbourne, Victoria Australia <i>Director</i>	Accountant, international financier and public company director in Australia, England and Canada.	Not applicable; proposed director of Resulting Issuer	9,305,046 <sup>(3)</sup>	10.3% <sup>(3)</sup>
Keshwaran Thurairasa Camberwell, Victoria Australia <i>CFO &amp; Secretary</i>	Financial Controller (since September 2010) of Kalina Power Limited, a power systems company trading on the ASX.	Not applicable; proposed officer of Resulting Issuer	130,976	0.2%

<sup>(1)</sup> Proposed member of the Audit Committee of the Resulting Issuer's Board of Directors (see "Committees of the Board" which follows).

<sup>(2)</sup> The information as to shares to be beneficially owned following Completion of the Qualifying Transaction has been furnished by the respective individual, has been extracted from the respective central securities registers of Lions Bay and Pan Andean, or has been taken from publicly available insider reports filed by the respective individual and assumes no participation in the Financing. The percentage of Common Shares beneficially owned following Completion of the Qualifying Transaction assumes issuance of the maximum 70,000,000 Payment Shares issuable pursuant to the Share Exchange Agreement, assumes the Financing is fully subscribed for as proposed, and assumes no participation in the Financing by the respective individual.

<sup>(3)</sup> Comprises all Payment Shares to be issued to the Sellers under the terms of the Share Exchange Agreement (which Mr. Newton or his spouse beneficially own, directly or indirectly, or over which he effectively exercises control or direction), as well as Payment Shares to be issued to certain Pan Andean Creditors over which Mr. Newton will exercise control or direction, and assuming the maximum 70,000,000 Payment Shares are issued.

<sup>(4)</sup> The following table sets out the officers and/or directors of Pan Andean as of the date of this Filing Statement, who will not be carrying on as officers and/or directors of the Resulting Issuer or of Pan Andean, which will be a wholly-owned subsidiary of the Resulting Issuer following Completion of the QT:

<b>Name and municipality of residence</b>	<b>Positions with Pan Andean in the preceding five years</b>
Wanda Gaye Newton Melbourne, Victoria, Australia	Director since May 10, 1990; Secretary since June 30, 1991.
Adam Newton Melbourne, Victoria, Australia	Secretary since June 30, 2014.

Assuming Closing of the Acquisition and issuance of the maximum 70,000,000 Payment Shares as contemplated by the Share Exchange Agreement, assuming the Financing is fully subscribed for as proposed, and assuming no director or officer of the Resulting Issuer participates in the Financing, the directors and officers of the Resulting Issuer, as a group, will own of record or beneficially, directly or indirectly, or exercise control or direction over in

the aggregate 68,951,790 Common Shares or approximately 76.6% of the Resulting Issuer's issued Common Shares (or approximately 78.9% on a fully diluted basis).

See also in this Part III – Information Concerning the Resulting Issuer, “Pro Forma Consolidated Capitalization”, “Fully Diluted Share Capital”, “Management”, “Executive Compensation” and “Escrowed Securities”, which follow, and see also Part IV – Risk Factors.

### **Committees of the Board**

On Completion of the QT, the Board of Directors of the Resulting Issuer will initially have only one committee, the Audit Committee.

#### ***Audit Committee***

On Completion of the QT, the members of the Audit Committee of the Resulting Issuer will be Ross MacLachlan, John Newton and John Byrne, the Resulting Issuer's three directors. Messrs. MacLachlan and Newton are considered to be independent of management, having applied the guidelines contained in applicable securities legislation, and all of the Audit Committee members have the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Resulting Issuer's financial statements.

The Audit Committee's primary function is assisting the Board of Directors in fulfilling its oversight responsibilities to shareholders. The Committee is ultimately responsible for the policies and practices relating to the integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding corporate assets; reliability of information; and compliance with policies and laws, as well as serving as an independent and objective party to liaise with the external auditor independent of management and monitor preparation of the Resulting Issuer's financial statements and other financial information.

### **Management**

The background of each of the proposed members of management of the Resulting Issuer following Completion of the QT is summarized below. As of the date of this Filing Statement, no director or officer of the Resulting Issuer has entered into a non-competition or non-disclosure agreement with either Lions Bay or Pan Andean, nor is it proposed that non-competition or non-disclosure agreements are to be entered into with the Resulting Issuer following Completion of the QT.

#### ***John J. Byrne – Director, President & Chief Executive Officer (Age: 68)***

John Byrne has over 30 years' experience in the natural resources industry as an investor and resource business developer and has been since July 2009 the Chairman of Kalina Power Limited and a non-executive director of Jervois Mining Limited. During the past 15 years Mr. Byrne has founded and built a number of companies from the ground up, including from development through to production. In this period he has been instrumental as either CEO or Executive Chairman in overseeing the building of six coal mines (in Canada, the US and the UK) along with three wash plants. From March 2001 to May 2010, Mr. Byrne was Chairman of Western Coal Corporation, a global coal producer. Since retiring from Western Coal Corporation, Mr. Byrne is now concentrated on identifying projects in and solutions to a number of sustainability issues that exist in the world today. Mr. Byrne was the Chair (from July 2010 to June 2014) and CEO (from April 2011 to June 2014) of EastCoal Inc., a mineral exploration and development company listed for trading on the Exchange and on the AIM market of the London Stock Exchange, and he was a director (from April 2002 to February 2010) of Cambrian Mining PLC, an exploration and mining company.

With the exception of EastCoal Inc., all of the above-noted companies that Mr. Byrne is or has been involved with, or successor entities, are to the best of his knowledge all currently carrying on business.

In his capacity as President and Chief Executive Officer of the Resulting Issuer, Mr. Byrne intends to devote approximately 80% of his working time to the affairs of the Resulting Issuer providing services typical of the services provided by a President and Chief Executive Officer of a publicly traded investment issuer. Mr. Byrne will be an independent contractor to the Resulting Issuer. See Part III – Information Concerning the Resulting Issuer – Executive Compensation.

***(John) Ross MacLachlan – Director (Age: 63)***

J. Ross MacLachlan is an Executive Director (since June 2015) of Kalina, and has been Kalina's Chief Executive Officer since October 2016. Prior to his involvement with Kalina, Mr. MacLachlan served as President and Chief Executive Officer (from June 2005 to December 2014) of Lignol Energy Corporation, a technology company in the cellulosic ethanol and biorefining sector. Mr. MacLachlan previously served as director of Pristine Power Inc., a developer and operator of electricity and steam generation facilities; as a director of Response Biomedical Corp., a biotechnology company engaged in the development of diagnostic technologies; and as a director of Swift Power Corp., a hydroelectric development company.

Mr. MacLachlan has been involved in technology development and commercialization as an active venture capital investor and executive for over 30 years. He has worked and invested with technology companies in a range of industries especially those in the conventional and alternative energy sectors. He has a strong competency in corporate finance, business development and the strategic management of developing companies; including intellectual property management and technology commercialization.

Mr. MacLachlan has been a frequent speaker and panel participant relating to public policy and development of the cleantech industry, providing advice to provincial and federal governments in Canada.

With the exception of Lignol Energy Corporation, all of the above-noted companies that Mr. MacLachlan is or has been involved with, or successor entities, are to the best of his knowledge all currently carrying on business.

Mr. MacLachlan intends to devote approximately 5% of his working time to the affairs of the Resulting Issuer.

***John Newton – Director (Age: 70)***

John Newton is an accountant with 40 years' experience in international stockbroking, accounting, corporate finance and property development.

He has been a director of a number of public companies including M.E.O. Australia Limited (ASX), Rum Jungle Resources Limited (ASX) and EastCoal Ltd (TSX-V) and Xtract Energy Plc (AIM market of the London Stock Exchange). He has maintained a continued involvement in the Australian and International financial sector as an investment advisor, consultant and financier.

All of the above-noted companies that Mr. Newton is or has been involved with, or successor entities, are to the best of his knowledge all currently carrying on business other than EastCoal Inc.

Mr. Newton intends to devote approximately 5% of his working time to the affairs of the Resulting Issuer.

***Keshwaran (Kesh) Thurairasa – Chief Financial Officer & Corporate Secretary (Age: 63)***

Keshwaran Thurairasa holds a Master's in Business Administration from Deakin University and is a member of the Australian Society of Certified Practising Accountants, a Fellow of the Chartered Institute of Secretaries and Administrators and Fellow of the Governance Institute of Australia. He has been the Financial Controller of Kalina since September 2010, prior to which he was the Financial Controller (February 1995 to August 2010) of AGD Mining Limited, then an ASX-listed mineral exploration and mining company.

To the best of Mr. Thurairasa's knowledge, AGD Mining Limited is currently carrying on business.

In his capacity as Chief Financial Officer and Corporate Secretary of the Resulting Issuer, Mr. Thurairasa intends to devote approximately 15% of his working time to the affairs of the Resulting Issuer providing services typical of the services provided by a Chief Financial Officer and Corporate Secretary of a publicly traded investment issuer. Mr. Thurairasa will be an independent contractor to the Resulting Issuer. See Part III – Information Concerning the Resulting Issuer – Executive Compensation.

### **Promoter Consideration**

*Ross MacLachlan, Director of Lions Bay and proposed Director of the Resulting Issuer*

Ross MacLachlan is deemed to be the “Promoter” of Lions Bay and the Resulting Issuer within the meaning of the *Securities Act* (British Columbia) in that he took the initiative of founding and organizing Lions Bay and took the initiative of initiating the Acquisition with Pan Andean proposed to result in the reorganization of Lions Bay as the Resulting Issuer. Assuming issuance of the maximum 70,000,000 Payment Shares under the terms of the Share Exchange Agreement and completion of the Acquisition and the Financing as proposed and assuming that Mr. MacLachlan does not purchase any securities under the Financing, Mr. MacLachlan will be the beneficial owner of 780,000 Common Shares of the Resulting Issuer or approximately 0.9% of the Resulting Issuer’s issued Common Shares.

The Acquisition is an Arm’s Length Transaction and the consideration to be paid pursuant to the Share Exchange Agreement was arrived at by negotiation between Lions Bay and Pan Andean. Ross MacLachlan will not receive anything of value from Lions Bay, Pan Andean or the Resulting Issuer as a result of the Acquisition other than possible future grants of incentive stock options by the Resulting Issuer in his capacity as a director of the Resulting Issuer. See in Part I – Information Concerning Lions Bay, “The Acquisition” and “Arm’s Length Transaction”.

Mr. MacLachlan was previously granted incentive stock options by Lions Bay entitling the purchase of 75,000 Common Shares at a per share price of \$0.20. See Part I – Information Concerning Lions Bay – Stock Option Plan – CPC Option Plan.

*John Newton, Principal Shareholder of Pan Andean and proposed Director of the Resulting Issuer*

John Newton, a proposed director of the Resulting Issuer as of the date of this Filing Statement, is deemed to be the “Promoter” of Pan Andean and the Resulting Issuer within the meaning of the *Securities Act* (British Columbia) in that he took the initiative of founding and organizing Pan Andean and took the initiative, along with Ross MacLachlan, of initiating the Acquisition, which will result in the reorganization of Lions Bay as the Resulting Issuer and Pan Andean becoming a wholly-owned subsidiary of the Resulting Issuer. Assuming issuance of the maximum 70,000,000 Payment Shares under the terms of the Share Exchange Agreement and completion of the Acquisition and the Financing as proposed and assuming that Mr. Newton does not purchase any securities under the Financing, Mr. Newton will be the beneficial owner (along with his spouse) of, directly and indirectly, or will effectively have exercise of control or direction over approximately 9,305,046 Common Shares of the Resulting Issuer (which Common Shares will be subject to escrow provisions) representing approximately 10.3% of the Resulting Issuer’s issued Common Shares. See also “Escrowed Securities”.

John Newton will not receive anything of value from Lions Bay, Pan Andean or the Resulting Issuer as a result of the Acquisition other than Payment Shares to which he is entitled to as a Seller under the terms of the Share Exchange Agreement and other than possible future grants of incentive stock options by the Resulting Issuer in his capacity as a director of the Resulting Issuer. See Part I – Information Concerning Lions Bay – The Acquisition.

No assets were acquired by Pan Andean from John Newton directly during the two years preceding the date of this Filing Statement. See Part II – Information Concerning Pan Andean – Material Contracts.

See in this Part III – Information Concerning the Resulting Issuer, “New Stock Option Plan”, “Directors, Officers and Promoters”, “Management” and see Part IV – Risk Factors.

## Corporate Cease Trade Orders or Bankruptcies

Except as otherwise disclosed herein, no proposed director or officer of the Resulting Issuer, and no securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, is or has been within the ten years prior to the date of this Filing Statement a director, officer or Promoter of any other company that, while such person was acting in that capacity, was:

- (a) the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days, or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### EastCoal Inc.

On November, 5 2013, EastCoal Inc. (“**EastCoal**”) filed a Notice of Intention to Make a Proposal pursuant to the provisions of Part III of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”). Pursuant to the Notice, Deloitte Restructuring Inc. (“**Deloitte**”) was appointed as the trustee in EastCoal’s proposal proceedings to assist EastCoal in its restructuring efforts. The proposal to EastCoal’s creditors under the BIA was unanimously approved by the creditors at the meeting of creditors held on April 22, 2014. Pursuant to the requirements of the BIA, Deloitte, as the proposal trustee, and EastCoal sought an order from the Supreme Court of British Columbia approving the proposal, which order approving the proposal and the associated transactions was granted on May 20, 2014. EastCoal’s obligations under the proposal were completed and the associated transactions were effected as of June 23, 2014.

John Byrne, a creditor of Pan Andean and a proposed director and the proposed President and Chief Executive Officer of the Resulting Issuer, was a director and the Chairman of EastCoal from July 2010 to June 2014, and he was EastCoal’s Chief Executive Officer from April 2011 to June 2014.

### Wasabi Energy Limited (subsequently Enhanced Systems Technologies Limited, now Kalina Power Limited)

On December 30, 2013, Wasabi Energy Limited (“**Wasabi**”), subsequently following a name change, Enhanced Systems Technologies Limited and, subsequently following a further change of name, Kalina Power Limited entered into Voluntary Administration as a result of failure to raise sufficient funds under a rights issue. On February 20, 2014, Wasabi and its directors entered into a Deed of Company Arrangement (“**DOCA**”) with Wasabi’s creditors, which gave Wasabi the opportunity to recover value for shareholders, which then included the majority of Wasabi’s major creditors. On May 16, 2014, Wasabi’s shareholders approved a proposed consolidation and issuance of shares to Wasabi’s creditors to allow the DOCA to be implemented. The terms of the DOCA were completed and on June 23, 2014, the administrator of the DOCA filed forms with the Australian Securities & Investments Commission confirming that the DOCA had been effectuated.

John Byrne, a creditor of Pan Andean and a proposed director and the proposed President and Chief Executive Officer of the Resulting Issuer, was, at the time, a director and the Executive Chair (since July 2009) of Wasabi, and as of the date of this Filing Statement is a director and the Executive Chair of Kalina.

### Lignol Energy Corporation

On August 22, 2014, The Bowra Group Inc. was appointed by a creditor as receiver of Lignol Energy Corporation (“**Lignol**”), following discontinued negotiations with respect to the terms of a proposed financing and the possible sale of the assets by Lignol. To the best of Mr. MacLachlan’s knowledge, the receiver is currently in possession and control of Lignol’s assets and undertaking.

On September 8, 2014, the British Columbia Securities Commission issued a cease trade order against Lignol for failure to file financial statements and management’s discussion and analysis for the fiscal year ended April 30, 2014. On December 8, 2014, the Alberta Securities Commission issued a cease trade order against Lignol for failure

to file financial statements and management’s discussion and analysis for the fiscal year ended April 30, 2014, and for failure to file an interim financial report and management’s discussion and analysis for the interim period ended July 31, 2014. As of the date of this Filing Statement, neither of these cease trade order have been revoked or rescinded.

Ross MacLachlan, a founding director of Lions Bay and a proposed director of the Resulting Issuer, served as the President, Chief Executive Officer and Chairman of the Board of Lignol from June 2006 to December 2014. See in this Part III – Information Concerning the Resulting Issuer, “Directors, Officers and Promoters”, “Management”, “Promoter Consideration” and “Other Reporting Issuer Experience”.

### **Penalties or Sanctions**

No individual who is a proposed director, officer or Promoter of the Resulting Issuer, or a security holder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable securityholder making a decision about the Acquisition.

### **Personal Bankruptcies**

No individual who is a proposed director, officer or Promoter of the Resulting Issuer, or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons has, within the ten years before the date of this Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer, or Promoter.

### **Conflicts of Interest**

Conflicts of interest may arise as a result of the proposed directors, officers, and Promoters of the Resulting Issuer also holding positions as directors and/or officers of other companies. Some of the directors, officers, and Promoters have been and will continue to be engaged in the identification and evaluation of public company shares, with a view to potential acquisitions of interests in such public company shares on behalf of the Resulting Issuer, on their own behalf and on behalf of other companies, and situations may arise where the directors, officers, and Promoters will be in direct competition with the Resulting Issuer. See in this Part III – Information Concerning the Resulting Issuer, “Other Reporting Issuer Experience”, which follows, and see Part IV – Risk Factors.

### **Other Reporting Issuer Experience**

The following table sets out the proposed directors, officers and Promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or Promoters of other reporting issuers:

<b>Name</b>	<b>Name of Reporting Issuer</b>	<b>Exchange</b>	<b>Position</b>	<b>From</b>	<b>To</b>
John Byrne	Kalina Power Limited.	ASX	Chairman	July 2009	Present
	Jervois Mining Limited	ASX	Director	November 2016	Present
	EastCoal Inc	TSX-V	Director & Chairman CEO	July 2010 April 2011	June 2014 June 2014

<u>Name</u>	<u>Name of Reporting Issuer</u>	<u>Exchange</u>	<u>Position</u>	<u>From</u>	<u>To</u>
Ross MacLachlan	Kalina Power Limited	ASX	Managing Director & CEO	October 2016	Present
			Executive Director	June 2015	Present
	Lions Bay Capital Inc.	TSX-V	Director	April 2010	Present
	Lignol Energy Corporation	TSX-V	Director	June 2005	December 2014
John Newton	Jervois Mining Limited	ASX	Director	November 2016	Present
Keshwaran Thurairasa	Kalina Power Limited	ASX	Financial Controller	September 2010	Present

## **Executive Compensation**

### *Compensation Discussion and Analysis*

The purpose of this Compensation Discussion and Analysis is to provide information about compensation decisions relating to the named executive officers (“**Named Executive Officers**”) of the Resulting Issuer and to summarize proposed compensation of the Named Executive Officers for the 12 months following Completion of the QT, as detailed in the Summary Compensation Table that follows.

Following Completion of the QT, the following individuals will be the Named Executive Officers of the Resulting Issuer:

- John J. Byrne, President & Chief Executive Officer; and
- Keshwaran Thurairasa, Chief Financial Officer & Corporate Secretary.

The Resulting Issuer will be a Tier 2 Investment issuer under the policies of the Exchange, initially primarily engaged in the management of its portfolio. The Resulting Issuer will have no significant revenues from operations and will, for the foreseeable future, operate with limited financial resources to ensure that funds are available to develop its portfolio, in particular AGG. As a result, the Board of Directors will have to consider not only the financial situation of the Resulting Issuer at the time of determination of executive compensation, but also the estimated financial situation of the Resulting Issuer in the mid- and long-term. An important element of executive compensation will be that of incentive stock options, which do not require cash disbursement by the Resulting Issuer. See “Option Based Awards” below.

### *Compensation Objectives and Principles*

The primary goal of the Resulting Issuer’s executive compensation process will be to attract and retain the key executives necessary for the Resulting Issuer’s long term success, to encourage executives to further the development of the Resulting Issuer and its operations, and to motivate qualified and experienced executives. The key elements of executive compensation awarded by the Resulting Issuer will be: (i) base salary or consulting fees; (ii) incentive stock options; and (iii) potential annual incentive awards. The directors are of the view that all such elements should be considered when determining executive compensation, rather than any single element.

### *Compensation Process*

The Resulting Issuer will rely solely on its Board of Directors, through discussion without any formal objectives, criteria or analysis, in determining the compensation of its executive officers. The Board of Directors will be responsible for determining all forms of compensation, including long-term incentives in the form of incentive stock options that may be granted to the Named Executive Officers, and to the Resulting Issuer’s directors, and for reviewing the recommendations of the Chief Executive Officer respecting compensation for any other officers of the

Resulting Issuer from time to time, to ensure such arrangements reflect the responsibilities and risks associated with each position. When determining the compensation of the Resulting Issuer's executive officers, the Board of Directors will consider: (i) recruiting and retaining executives critical to the success of the Resulting Issuer and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and the Resulting Issuer's shareholders; and (iv) rewarding performance, both on an individual basis and with respect to operations in general.

#### *Base Salary and/or Consulting Fees*

The Resulting Issuer does not anticipate generating profitable revenues from operations for a significant period of time that are not deployed into increasing the portfolio of the Resulting Issuer. As a result, the use of traditional performance standards, such as corporate profitability of the Resulting Issuer, is not considered by the Board of Directors to be appropriate in the evaluation of corporate or Named Executive Officer performance in the near term. The compensation of the executive officers will be based, in substantial part, on industry compensation practices, trends in the investment management industry, as well as achievement of the Resulting Issuer's business plans and objectives and availability of funds.

Compensation of the Named Executive Officers will depend on the scope of their experience, responsibilities, leadership skills and performance. Fees will be reviewed annually by the Board of Directors. In addition to the above factors, decisions regarding salary and/or consulting fee amounts are impacted by general industry trends and practices, competitiveness, as well as the Resulting Issuer's anticipated financial resources.

#### *Option Based Awards*

Options to purchase Common Shares are intended to align the interests of directors and executive officers with those of shareholders, provide a long term incentive that rewards these individuals for their contribution to the creation of shareholder value, and reduce the cash compensation the Resulting Issuer would otherwise have to pay. The New Option Plan will be administered by the Board of Directors. In establishing the number of the options to be granted to the Named Executive Officers the Board of Directors will consider previous grants of options and the overall number of options that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of options, and the size and terms of any such grants, as well as the level of effort, time, responsibility, ability, experience and level of commitment of the executive officer in determining the level of incentive stock option compensation. See "Incentive Plan Awards" below, as well as "New Stock Option Plan" in this Part III.

#### *Benefits and Perquisites*

As of the date of this Filing Statement, the Resulting Issuer does not propose offering any benefits or perquisites to its Named Executive Officers other than entitlement to incentive stock options as otherwise disclosed and discussed herein. The Resulting Issuer will not, for the foreseeable future following Completion of the QT, offer any form of pension plan.

#### *Risks Associated with Compensation Practises*

The Resulting Issuer's proposed Board of Directors has not, as yet, considered the implications of any risks to the Resulting Issuer associated with decisions regarding compensation of executive officers.

#### *Hedging by Named Executive Officers or Directors*

Lions Bay has not, as yet, adopted, and in the near term the Board of the Resulting Issuer does not anticipate adopting, a policy restricting its executive officers and directors from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted or awarded as compensation or held, directly or indirectly, by executive officers or directors. As of the date of this Filing Statement, entitlement to

grants of options under the New Option Plan is the only equity security element intended to be awarded by the Resulting Issuer to its executive officers and directors.

### ***Compensation for First 12 Months Following Completion of the QT***

In connection with the proposed Acquisition, it is proposed that the Resulting Issuer will enter into a management services agreement with John Byrne, the details of which are summarized below under heading “Employment Agreements and Termination Benefits”.

The following table provides a summary of the compensation proposed to be earned by, paid to, or accrued and payable to, each Named Executive Officer of the Resulting Issuer for the first 12 months following Completion of the QT. Amounts reported in the table below are in Canadian dollars.

Name and principal position	Salary/ Fee (\$)	Share- based awards (\$)	Option- based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total Compensation (\$)
				Annual incentive plans	Long- term incentive plans			
John Byrne <sup>(1)</sup> <i>Proposed President &amp; Chief Executive Officer</i>	120,000	Nil	Nil	Nil	Nil	Nil	Nil	120,000
Keshwaran Thurairasa <sup>(1)</sup> <i>Proposed Chief Financial Officer &amp; Corporate Secretary</i>	48,000	Nil	Nil	Nil	Nil	Nil	Nil	48,000

<sup>(1)</sup> See “Employment Agreements and Termination Benefits”, which follows.

The Board of Directors of the Resulting Issuer does not intend to grant any incentive stock options to its Named Executive Officers until such time following Completion of the QT as the trading price of the Common Shares on the Exchange has stabilized such that a fair market value exercise price for options can be determined. At such time as options are granted, the number of Common Shares underlying options and the terms of purchase will be in accordance with the New Option Plan, once approved and the policies of the Exchange.

### ***Incentive Plan Awards***

As stated previously, the Board of Directors of the Resulting Issuer does not intend granting any incentive stock options to its Named Executive Officers or to its directors until such time following Completion of the QT as the trading price of the Common Shares on the Exchange has stabilized such that a fair market value exercise price for options can be determined. At such time as incentive stock options are granted, the number of Common Shares underlying such options and the terms of purchase will be in accordance with the New Option Plan and the policies of the Exchange. See in this Part III – Information Concerning the Resulting Issuer, “Options to Purchase Common Shares” and “New Stock Option Plan”.

### ***Employment Agreements and Termination Benefits***

Concurrent with Closing, it is anticipated that the Resulting Issuer will enter into a management services agreement (the “**Byrne Agreement**”) with John Byrne, the proposed President and Chief Executive Officer of the Resulting Issuer, and Twenty-Second Yeneb Pty. Ltd. (as previously defined, “**22<sup>nd</sup> Yeneb**”), a private company beneficially owned by John Byrne and his spouse, and Keshwaran Thurairasa pursuant to which Mr. Byrne will provide services to the Resulting Issuer in the capacity of President and Chief Executive Officer and Mr. Thurairasa will provide services to the Resulting Issuer in the capacity of Chief Financial Officer and Corporate Secretary. The Byrne Agreement will provide for an initial term of 12 months from the date of Closing of the Acquisition, continuing until terminated in accordance with the terms of the Byrne Agreement. The Byrne Agreement can be terminated on 30-days written notice by either the Resulting Issuer or 22<sup>nd</sup> Yeneb and Mr. Byrne to the other parties or party. The

Byrne Agreement provides for initial compensation to 22<sup>nd</sup> Yeneb of \$10,000 per month for Mr. Byrne's services as President and Chief Executive Officer and compensation of \$4,000 per month to Mr. Thurairasa for his services as Chief Financial Officer and Corporate Secretary, such compensation to be reviewed by the Board of Directors of the Resulting Issuer on an annual basis.

### ***Director Compensation***

As of the date of this Filing Statement, following Completion of the QT the Resulting Issuer intends to pay Ross MacLachlan and John Newton, who are proposed to be non-executive directors of the Resulting Issuer, an annual retainer of \$24,000 for their services as directors of the Resulting Issuer.

Directors are entitled to be reimbursed for reasonable expenditures incurred in performing their duties as directors and may, from time to time, be granted incentive stock options to purchase Common Shares.

As noted previously, the Board of Directors of the Resulting Issuer does not intend granting any incentive stock options to its Named Executive Officers or to its directors until such time following Completion of the QT as the trading price of the Common Shares on the Exchange has stabilized such that a fair market value exercise price for options can be determined. At such time as incentive stock options are granted, the number of Common Shares underlying such options and the terms of purchase will be in accordance with the New Option Plan and the policies of the Exchange. See in this Part III – Information Concerning the Resulting Issuer, "Options to Purchase Common Shares" and "New Stock Option Plan".

### **Indebtedness of Directors and Officers**

As of the date of this Filing Statement and as at Closing and on Completion of the QT, no director or officer of Lions Bay or of Pan Andean and no proposed director or officer of the Resulting Issuer, or any Associate thereof, is or will be indebted to Lions Bay, Pan Andean or the Resulting Issuer, nor at any time during Lions Bay's most recently completed financial year ended May 31, 2017, or during Pan Andean's most recently completed financial year ended June 30, 2017, was the indebtedness of any of such individuals to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Lions Bay or Pan Andean respectively.

### **Investor Relations Arrangements**

As at the date of this Filing Statement, there are no promotional or investor relations arrangements proposed for the Resulting Issuer.

### **Escrowed Securities**

Following is a summary of:

- (a) the Common Shares of Lions Bay currently held in escrow pursuant to the terms of the Form 2F CPC Escrow Agreement (the "**CPC Escrow Agreement**") dated May 31, 2010, among Lions Bay, Computershare Investor Services Inc. as Escrow Agent and the directors and officers, certain of their associates, and a former director and a former officer of Lions Bay (see "CPC Escrow Agreement" below); and
- (b) the Payment Shares to be held in escrow on Completion of the QT pursuant to the terms of an Exchange Form 5D Value Security Escrow Agreement to be entered into at Closing by the Sellers and the Pan Andean Creditors in accordance with the policies of the Exchange (see "Value Security Escrow Agreement" below).

Name and municipality of residence of beneficial owner	Prior to giving effect to the Acquisition, the Financing and Completion of the QT		After giving effect to the Acquisition, the Financing and assuming Completion of the QT (prior to the initial 10% release from escrow on Completion of the QT)	
	Number of Common Shares subject to escrow	Percentage of class – outstanding Common Shares	Number of Common Shares subject to escrow	Percentage <sup>(3)</sup> of class – outstanding Common Shares
Richard Douglas Wilson Lions Bay, British Columbia	170,000	4.2%	170,000	0.2%
J. Ross MacLachlan Vancouver, British Columbia	280,000	6.9%	280,000	0.3%
David Turner Vancouver, British Columbia	50,000	1.2%	50,000	0.1%
<b>Sub-total – CPC Escrow<sup>(1)</sup></b>	<b>500,000</b>	<b>12.4%</b>	<b>500,000</b>	<b>0.6%</b>
Pan Andean Creditor (Arcourt) Melbourne, Victoria, Australia	Nil	N/A	4,401,187	4.9%
Pan Andean Creditor (John Byrne Pension Fund) Melbourne, Victoria, Australia	Nil	N/A	12,393,404	13.8%
Pan Andean Creditor (Camtan Pty Ltd.) Melbourne, Victoria, Australia	Nil	N/A	500,000	0.6%
Pan Andean Creditor (22 <sup>nd</sup> Yeneb) Melbourne, Victoria, Australia	Nil	N/A	42,313,348	47.0%
Pan Andean Creditor (Alwyn Davey) Melbourne, Victoria, Australia	Nil	N/A	89,754	0.1%
Pan Andean Creditor (Kesh Thurairasa) Camberwell, Victoria, Australia	Nil	N/A	99,726	0.1%
Pan Andean Creditor (Cornelius Horgan) Melbourne, Victoria, Australia	Nil	N/A	398,904	0.4%
Pan Andean Creditor (1029258 BC Limited) Vancouver, British Columbia	Nil	N/A	498,631	0.6%
Pan Andean Creditor (Newton Investment Trust) Melbourne, Victoria, Australia	Nil	N/A	4,108,584	4.6%
Pan Andean Creditor (Drawone Super Fund) Melbourne, Victoria, Australia	Nil	N/A	3,125,000	3.5%
Seller (Drawone Pty Limited) Melbourne, Victoria, Australia	Nil	N/A	1,035,731	1.2%
(Seller) John and Gay Newton Melbourne, Victoria, Australia	Nil	N/A	1,035,731	1.2%
<b>Sub-total – Value Security Escrow<sup>(2)</sup></b>	<b>Nil</b>	<b>N/A</b>	<b>70,000,000</b>	<b>77.8%</b>
<b>Total subject to escrow</b>	<b>500,000</b>	<b>12.4%</b>	<b>70,500,000</b>	<b>78.3%</b>

<sup>(1)</sup> These Common Shares (held directly and/or indirectly by each of the beneficial owners respectively) are held in escrow by Computershare Investor Services Inc. as Escrow Agent pursuant to the CPC Escrow Agreement and the policies of the Exchange. The number of Common Shares held by the directors, officers and the Promoter of Lions Bay, which are subject to the CPC Escrow Agreement as disclosed in the table above, and the terms of the CPC Escrow Agreement, including release terms, are summarized below. See also Summary of Filing Statement – Interest of Insiders, Promoters or Control Persons and Part I – Information Concerning Lions Bay – Description of Securities.

<sup>(2)</sup> On Completion of the QT, these Payment Shares (to be issued by Lions Bay to the Sellers and the Pan Andean Creditors in accordance with the terms of the Share Exchange Agreement) will be held in escrow by Computershare Investor Services Inc. as Escrow Agent pursuant to the Value Security Escrow Agreement and pursuant to the policies of the Exchange, releasable in accordance with the terms of the Tier 2 release schedule. The terms of the Value Security Escrow Agreement, including release terms, are summarized below.

<sup>(3)</sup> The percentage of Common Shares beneficially owned following Completion of the Qualifying Transaction assumes issuance of the maximum 70,000,000 Payment Shares issuable pursuant to the Share Exchange Agreement, assumes the Financing is fully subscribed for as proposed, and assumes no participation in the Financing by the respective individual.

See Part I – Information Concerning Lions Bay – The Acquisition and see in this Part III – Information Concerning the Resulting Issuer, “Pro Forma Consolidated Capitalization”, “Fully Diluted Share Capital”, “Principal Securityholders”, “Directors, Officers and Promoters”.

### ***CPC Escrow Agreement***

500,000 Common Shares (as set out in the table above) issued prior to Lions Bay’s initial public offering have been deposited with Computershare as Escrow Agent and are subject to the terms of the CPC Escrow Agreement.

All Common Shares that may be otherwise acquired prior to Completion of the QT or acquired on exercise of incentive stock options prior to Completion of the QT must be deposited in escrow and will be subject to the CPC Escrow Agreement until Completion of the QT. In addition, all Common Shares of Lions Bay acquired in the secondary market prior to the Completion of the QT by any person or company who becomes a Control Person are required to be deposited in escrow.

Should Common Shares that are required to be held subject to the CPC Escrow Agreement be held by a non-individual (a “**holding company**”), each holding company party to the CPC Escrow Agreement must agree not to carry out any transactions during the currency of the CPC Escrow Agreement that would result in a change of control of the holding company, without the consent of the Exchange. In addition, the Exchange may require an undertaking from any Control Person of the holding company not to transfer the shares of the holding company.

Under the CPC Escrow Agreement, 10% of the escrowed Common Shares will be released from escrow on Completion 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 date of Completion of the QT.

If the Resulting Issuer meets the Exchange’s Tier 1 initial listing requirements either at the time of Completion of the QT or subsequently, the release of the escrowed Common Shares will be accelerated. An accelerated escrow release will not commence until the Resulting Issuer has made application to the Exchange for listing as a Tier 1 issuer and the Exchange has issued a bulletin that announces the acceptance for listing of the Resulting Issuer on Tier 1 of the Exchange.

The Exchange’s prior consent must be obtained before a transfer within escrow of Common Shares subject to the CPC Escrow Agreement. Generally, the Exchange will only permit a transfer within escrow to be made to incoming principals in connection with a proposed Qualifying Transaction.

If a Final Exchange Bulletin is not issued, the escrowed Common Shares will not be released. Under the CPC Escrow Agreement, each Non-Arm’s Length Party of Lions Bay who holds escrowed Common Shares acquired at a price below Lions Bay’s IPO price of \$0.20 per share has irrevocably authorized and directed the Escrow Agent to immediately:

- (a) cancel all of those escrowed Common Shares upon the issuance by the Exchange of a bulletin delisting the Common Shares of Lions Bay, or
- (b) if Lions Bay lists on the NEX board of the Exchange, either
  - (i) cancel all seed shares purchased by Non-Arm’s Length Parties to Lions Bay at a discount to the IPO price; or
  - (ii) subject to majority shareholder approval, cancel an amount of seed shares purchased by Non-Arm’s Length Parties to Lions Bay so that the average cost of the remaining seed shares is at least equal to the IPO price of \$0.20 per share.

### ***Value Security Escrow Agreement***

In accordance with applicable Exchange policies and assuming that the maximum 70,000,000 Payment Shares are issued under the terms of the Share Exchange Agreement, an aggregate 70,000,000 Payment Shares (as set out in the

table above) to be issued by Lions Bay under the terms of the Share Exchange Agreement will be subject to the Value Security Escrow Agreement and released from escrow as follows:

#### Tier 2 Value Security Escrow Release Schedule

<u>Percent</u>	<u>Release Date</u>
10%	on Completion of the QT (1/10 <sup>th</sup> of the escrowed securities)
15%	6 months from the date of Completion of the QT (1/6 <sup>th</sup> of remaining escrowed securities)
15%	12 months from the date of Completion of the QT (1/5 <sup>th</sup> of remaining escrowed securities)
15%	18 months from the date of Completion of the QT (1/4 <sup>th</sup> of remaining escrowed securities)
15%	24 months from the date of Completion of the QT (1/3 <sup>rd</sup> of remaining escrowed securities)
15%	30 months from the date of Completion of the QT (1/2 of remaining escrowed securities)
15%	36 months from the date of Completion of the QT (all remaining escrowed securities).

Should the Resulting Issuer graduate to Tier 1 pursuant to the policies of the Exchange, the release schedule will be replaced with the following Tier 1 release schedule and the Escrow Agent will release any of the Payment Shares subject to the Value Security Escrow Agreement which under the new release schedule would have been releasable at the date the Exchange confirms the Resulting Issuer's graduation to Tier 1.

#### Tier 1 Value Security Escrow Release Schedule

<u>Percent</u>	<u>Release Date</u>
25%	on Completion of the QT (1/4 <sup>th</sup> of the escrowed securities)
25%	6 months from the date of Completion of the QT (1/3 <sup>rd</sup> of remaining escrowed securities)
25%	12 months from the date of Completion of the QT (1/2 of remaining escrowed securities)
25%	18 months from the date of Completion of the QT (all remaining escrowed securities).

Any other securities received by a securityholder party to the Value Security Escrow Agreement as a dividend or other distribution on escrowed securities, on the exercise of a right of purchase, conversion or exchange attaching to escrowed securities, on a subdivision, or compulsory or automatic conversion or exchange of escrowed securities, or from a successor issuer in a business combination, must be deposited by the securityholder with the Escrow Agent to be held subject to the terms of the Value Security Escrow Agreement. Without prior consent of the Exchange, transfer of Common Shares subject to escrow is only permitted in certain circumstances pursuant to the terms of the Value Security Escrow Agreement, including, among others, transfer to incoming directors or senior officers of the Resulting Issuer or any of its material operating subsidiaries, transfer to other principals holding more than 20% of the voting rights attached to the Resulting Issuer's outstanding Common Shares, and transfer in the event of bankruptcy of the securityholder. Shares transferred within escrow will remain subject to and released from escrow in accordance with the terms of the Value Security Escrow Agreement as if no transfer had occurred. In the event of death of the securityholder, the securityholder's securities subject to escrow will be released from escrow. Subject to prior Exchange acceptance, a securityholder may pledge, mortgage or charge escrowed securities to a financial institution as collateral for a loan. Voting rights attached to escrowed securities may be exercised by the securityholder, however a securityholder may not, while his or her securities are held in escrow, exercise voting rights attached to any securities (whether in escrow or not) in support of one or more arrangements that would result in the repayment of capital being made on the escrow securities prior to a winding up of the Resulting Issuer.

#### **Auditor**

As of the date of this Filing Statement, it is proposed that BDO Australia, with offices at Collins Square, Tower Four, Level 18, 727 Collins Street, Melbourne Victoria 3008 Australia, will be the auditor of the Resulting Issuer.

#### **Transfer Agent and Registrar**

The transfer agent and registrar for the Resulting Issuer will be the transfer agent and registrar of Lions Bay, Computershare Investor Services Inc., 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3B9.

## PART IV - RISK FACTORS

The following risk factors assume Completion of the QT and that upon Completion of the QT the Resulting Issuer will be a Tier 2 Investment issuer listed for trading on the Exchange. Notwithstanding those assumptions, Completion of the QT is subject to a number of conditions, including, but not limited to, Exchange acceptance of the Acquisition, including the Financing. There can be no assurance that the Acquisition and the Financing will be completed as proposed, or at all. The Acquisition and the Financing may not receive Exchange approval.

**An investment in Lions Bay's Common Shares should be considered highly speculative due to Lions Bay's current status as a Capital Pool Company, the present stage of development and business and operations of Pan Andean, and the proposed business and operations of the Resulting Issuer. The risks described herein are not the only ones facing the Resulting Issuer. Additional risks not currently known to Lions Bay or that Lions Bay currently deems immaterial may also impair the business operations of the Resulting Issuer. Shareholders and investors should carefully consider the risks outlined below and should consult with their professional advisors when evaluating the Acquisition, including the Financing, and the impact on their specific circumstances.**

### **Risks Related to the Acquisition**

#### *Exchange Listing*

As of the date of this Filing Statement, the Exchange has not conditionally accepted the Acquisition as Lions Bay's Qualifying Transaction and has not conditionally accepted the Financing and the listing of the Payment Shares proposed to be issued in connection with the Acquisition and the Common Shares proposed to be issued in connection with the Financing. Completion of the Acquisition and the Financing is subject to acceptance by the Exchange and there are no assurances as to if, or when, Exchange acceptance will be received. There can be no assurance that the Payment Shares of the Resulting Issuer or the Common Shares proposed to be issued under the Financing will be listed for trading or, if listed, that the Resulting Issuer will continue to meet the Exchange's continued listing requirements following listing.

#### *Dilution*

The issuance of the Payment Shares in accordance with the Share Exchange Agreement, including the issuance of Common Shares in connection with the Financing, will cause dilution to the ownership interests of the Lions Bay shareholders, who currently hold 100% of the issued and outstanding Common Shares of Lions Bay. Following Completion of the QT and assuming issuance of the maximum 70,000,000 Payment Shares under the terms of the Share Exchange Agreement, a fully subscribed Financing as proposed and no participation in the Financing by the current shareholders of Lions Bay, by the Sellers or by the Pan Andean Creditors, the current shareholders of Lions Bay will hold approximately 4.5% of the issued and outstanding Common Shares of the Resulting Issuer; the subscribers to the Financing will hold approximately 17.8%; the Sellers will hold approximately 2.3% and the Pan Andean Creditors will hold approximately 75.5%.

#### *Tax Consequences*

Income tax consequences in relation to distribution of the Payment Shares to the Sellers and the Pan Andean Creditors and distribution of Common Shares of the Resulting Issuer to participants in the Financing will vary according to the circumstances of each person. The distribution of the Payment Shares to the Sellers and distribution of Common Shares to participants in the Financing may give rise to adverse tax consequences to such persons.

**The Sellers, the Pan Andean Creditors and participants in the Financing are encouraged to seek independent advice from their own tax and legal advisors.**

### *Uncertainty of Use of Proceeds*

Although the proposed use of the funds available to the Resulting Issuer is set out in this Filing Statement, these are estimates only and subject to change. While management does not contemplate any material variation, management of the Resulting Issuer does retain broad discretion in the application of such funds. See Part III – Information Concerning the Resulting Issuer – Available Funds and Principal Purposes.

## **Risks Related to the Business of the Resulting Issuer**

### *Nature of Business*

Upon Completion of the QT, the Resulting Issuer will be an investor in public companies carrying out resource, resource technology, energy, mineral and exploration activities. Each of these activities involves a high degree of risk. The long-term profitability of the Resulting Issuer's operations will be, in part, directly related to success of its investee companies business plans, which may be affected by a number of factors out of the Resulting Issuer's control. Substantial expenditures are required to establish operations in energy and resource related technology implementations.

### *Limited Operating History and Financial Resources*

The Resulting Issuer will have a limited operating history and no history of operating revenues. The Resulting Issuer will have no operating revenues and is unlikely to generate any profitable revenues from operations in the immediate future. Assuming Completion of the QT, the Resulting Issuer anticipates that its cash resources, together with the net proceeds of the Financing, will be sufficient to cover its projected funding requirements for the first year following Closing of the Acquisition.

### *Limited Assets*

Initially following Completion of the QT, the Resulting Issuer will hold shares in four public listed companies, which are at different stages of development and maturity. Each of the public listed companies may be impacted by factors outside of their control or all of them could be impacted by fluctuations in the stock markets on which they trade. The Resulting Issuer will have no influence over the performance or decisions of the public listed companies.

The likelihood of success of the Resulting Issuer must be considered in light of the potential problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment and growth of any business. The Resulting Issuer will have limited financial resources and there is no assurance that additional funding will be available to the Resulting Issuer for further operations if required. There is no assurance that the Resulting Issuer can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its business plans. The ability of the Resulting Issuer to raise capital, satisfy its obligations and provide a return to its shareholders will be dependent upon its future performance.

### *Additional Financing Requirements*

The Resulting Issuer may require additional financing to complete planned investments and to implement further investment programs, which financing is not in place as of the date of this Filing Statement. There can be no assurance that the Resulting Issuer will be able to obtain adequate financing in the future for further investment opportunities, or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further investments by the Resulting Issuer, with the possible dilution or loss of such opportunities. Further, revenues, financings and profits, if any, will depend upon various factors, including the success, if any, of exploration programs and general market conditions for natural resources. Any additional equity financing will cause dilution to shareholders and may result in a change of control.

### *Exposure and Sensitivity to Macro-Economic Conditions*

Given the nature of the proposed investment activities, the results of operations and financial condition of the Resulting Issuer will be dependent, in part, upon the market value of the securities that will comprise its investment portfolio. Market value can be reflective of the actual or anticipated operating results of companies in the portfolio and/or the general market conditions that affect a particular sector. Various factors affecting a sector could have a negative impact on the Resulting Issuer's portfolio of investments and thereby have an adverse effect on its business. Additionally, the Resulting Issuer may invest in small-cap businesses that may never mature or generate adequate returns or may require a number of years to do so. This may create an irregular pattern in our investment gains and revenues (if any).

Macro factors such as fluctuations in commodity prices and global political and economic conditions could also negatively affect our investment portfolio. The Resulting Issuer may be adversely affected by the falling share prices of the securities of investee companies; as such, share prices may directly and negatively affect the estimated value of the investment portfolio. Moreover, company-specific risks could have an adverse effect on one or more of the investments that may comprise the portfolio at any point in time. Company specific and industry specific risks that may materially adversely affect the Resulting Issuer's investment portfolio may have a materially adverse impact on its operating results. Factors affecting macro-economic conditions are and will be beyond the Resulting Issuer's control.

### *Investments Subject to Equity Price Risk*

Pan Andean holds shares of publicly traded resource, energy and resource related technology companies, the market value of which comprise the majority of its financial assets as of August 31, 2017, of approximately \$2,953,306 .

Equity investments are exposed to price risk as a result of holding shares in these companies. The daily exchange traded volume of these shares may not be sufficient for the Resulting Issuer to liquidate its position, in either a short or an extended period of time, without potentially affecting the market value of such shares. Just as investing in the Resulting Issuer is inherent with risks such as those set out in this Filing Statement, by investing in other publicly traded companies, the Resulting Issuer will be exposed to the risks associated with owning equity securities and those risks inherent in the investee companies.

### *Operations in Foreign Jurisdictions*

The Resulting Issuer's investments and interests may be exposed to various degrees of political, economic and other risks and uncertainties in a foreign jurisdiction. In particular, the Resulting Issuer's investments may be affected by the local and governing political and economic developments including and not limited to: expropriation, invalidation of government orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitation on mineral exports, limitations on foreign ownership, inability to obtain or delays in obtaining necessary mining permits, opposition to mining from local, environmental or other nongovernmental organizations, government participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies.

The Resulting Issuer's operations may also be adversely affected by the laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Resulting Issuer's operations in international jurisdictions, the Resulting Issuer may be subject to the exclusive jurisdiction of foreign courts and may not be successful in subjecting foreign persons to the jurisdiction of the courts of Canada or enforcing Canadian judgments in other jurisdictions. The Resulting Issuer may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, exploration, development and production activities in international jurisdictions involving properties in which we hold an interest could be substantially affected by factors beyond our control, any of which could have a material adverse effect on the Resulting Issuer.

### *Stress in the Global Economy*

General economic conditions, including the significant drop in the price of gold, oil and for metals slowing somewhat over the past few years as a result of slower global economic growth, and the government debt crisis in countries such as Greece, Italy and Spain, has led to concerns about long term economic stability, availability of financing and changes in the risk appetite of investors. This as well as reduction in credit, combined with slow economic growth and the fluctuations in the United States dollar, may continue to adversely affect businesses and industries that purchase commodities, further affecting commodity prices in more significant and unpredictable ways than the normal risks associated with commodity prices. The availability of services such as drilling contractors and geological service companies and/or the terms on which these services are provided may be adversely affected by the economic impact on the service providers. The adverse effects on the capital markets generally make the raising of capital by equity or debt financing much more difficult and the Resulting Issuer will be dependent upon the capital markets to raise financing. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on the Resulting Issuer's businesses, operating results, and financial condition.

### *Global Financial Condition*

Global financial conditions have been subject to increased volatility. Access to financing continues to be negatively impacted by both sub-prime mortgages in the United States and elsewhere and the liquidity crisis affecting the asset-backed commercial paper market, which continue to effect the economy. As such, the Resulting Issuer will be subject to counterparty risk and liquidity risk. The Resulting Issuer will be exposed to various counterparty risks including, but not limited to: (i) through financial institutions that hold the Resulting Issuer's cash; (ii) through companies that have payables to the Resulting Issuer; and (iii) through the Resulting Issuer's insurance providers. The Resulting Issuer will also be exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Resulting Issuer to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Resulting Issuer. If these increased levels of volatility and market turmoil continue, the Resulting Issuer's operations could be adversely impacted and the trading price of the Common Shares could be adversely affected.

### *Competition*

The Resulting Issuer may face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Resulting Issuer. The Resulting Issuer may not be able to negotiate investments on terms acceptable to it, or at all. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

The resource sector and mineral exploration and mining business are competitive in all of their phases. The Resulting Issuer will be investing in companies that will compete with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the investee companies of the Resulting Issuer, in the search for and the acquisition of attractive mineral properties. The ability of the Resulting Issuer invest in companies that successfully acquire properties in the future will depend not only on their ability to develop their present properties, but also on their ability to select and acquire suitable other properties or prospects for mineral exploration. There is no assurance that the Resulting Issuer will continue to be able to invest in companies that compete successfully with the competition in acquiring such properties or prospects.

### *Dependence on Key Individuals*

The Resulting Issuer will be dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Resulting Issuer. Neither Lions Bay or Pan Andean have, and the Resulting Issuer does not plan to maintain, key-person insurance on the lives of any of their key personnel.

### *Environmental and other Regulatory Requirements*

The operations of the investee companies of the Resulting Issuer will require permits from various levels of government. Such operations are subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There can be no assurance, however, that all permits or surface access rights which the investee companies may require for continued exploration, construction of mining facilities and conduct of mining operations, particularly environmental permits and other reclamation requirements, will be obtainable or achievable on reasonable terms or that compliance with such laws and regulations would not have an adverse effect on the profitability of any mining project that the investee companies of the Resulting Issuer might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the investee companies of the Resulting Issuer and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

### *Political Regulatory Risks*

Any changes in government policy may result in changes to laws affecting ownership of assets, mining policies, monetary policies, taxation, rates of exchange, environmental regulations, labour relations, repatriation of income and return of capital. This may affect both the Resulting Issuer's ability to undertake investments or for investee companies to undertake their business in respect of present and future activities in the manner currently contemplated. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

### *Currency Risk*

The Resulting Issuer's investments and operations will be incurred primarily in Australian dollars and its readily accessible market to raise future financing is in Canadian dollars. Currency fluctuations may affect future cash flow which the Resulting Issuer may realize from its operations, since most minerals and commodities are sold in a world market in U.S. dollars.

### *Conflicts of Interest*

The directors and officers of the Resulting Issuer will not be devoting all of their time to the affairs of the Resulting Issuer. In particular, the Chief Executive Officer and the Chief Financial Officer of the Resulting Issuer will only be devoting, respectively, approximately 80% and 15% of their working time to the affairs of the Resulting Issuer. The directors and officers of the Resulting Issuer are directors and officers of other companies, some of which are in the same business as the Resulting Issuer. The directors and officers of the Resulting Issuer are required by law to act in the best interests of the Resulting Issuer. They have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Resulting Issuer may result in a breach of their obligations to the other companies, and in certain circumstances this could expose the Resulting Issuer to liability to those other companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Resulting Issuer. Such conflicting legal obligations may expose the Resulting Issuer to liability to others and impair its ability to achieve its business objectives.

### *Limited Market for Securities*

Upon Completion of the QT, the Resulting Issuer's Common Shares will be listed on the Exchange, however, there can be no assurance that an active and liquid market for the Common Shares of the Resulting Issuer will develop or be maintained and an investor may find it difficult to resell any securities of the Resulting Issuer.

### *Controlling Shareholder*

Assuming Completion of the QT as proposed, John Byrne will own directly and indirectly or exercise control or direction over an aggregate of approximately 58,735,768 Common Shares or approximately 65.2% of the issued Common Shares of the Resulting Issuer or approximately 68.6% on a fully diluted basis. As such, Mr. Byrne, the proposed President and Chief Executive Officer and a director of the Resulting Issuer, will have the ability to determine the outcome of matters submitted to the shareholders of the Resulting Issuer for approval, including the election and removal of directors, amendments to the Resulting Issuer's governing corporate documents and business combinations, among others.

Further, the directors and officers of the Resulting Issuer will, as a group, own directly or indirectly or exercise control or direction over an aggregate of approximately 68,951,790 Common Shares or approximately 76.6% of the Common Shares of the Resulting Issuer, or approximately 78.9% on a fully-diluted basis.

The Resulting Issuer's interests and those of a controlling shareholder may at times conflict, and this conflict might be resolved against the Resulting Issuer's interests. The concentration of control in the hands of a small number of individuals may practically preclude an unsolicited bid for the Resulting Issuer's Common Shares, and this may adversely impact the value and trading price of the Common Shares. See in Part III – Information Concerning the Resulting Issuer, "Principal Shareholders", "Directors and Officers" and "Fully Diluted Share Capital".

### *Disposition of Securities by Controlling Shareholder*

Should John Byrne determine to sell Common Shares that he owns or over which he exercises control or direction, the market price of the Common Shares may fall. This could result from the pressure on the market caused by such sales or from concern that the sales signify problems in the Resulting Issuer's operations, or from some combination of the two.

### *Insurance*

The Resulting Issuer will not have insurance to adequately protect itself against certain risks. It is not always possible to fully insure against such risks and the Resulting Issuer may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, it could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Resulting Issuer.

### *Fluctuation in Market Value of Shares*

The market price of a publicly-traded stock is affected by many variables not directly related to the corporate performance of the entity, including the market in which it is traded, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The future effect of these and other factors on the market price of the Common Shares on the Exchange cannot be predicted.

### *Dividends*

The Resulting Issuer does not anticipate declaring any cash dividends to holders of its Common Shares in the foreseeable future. Consequently, investors may need to rely on sales of their Common Shares after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

*Substantial Number of Authorized but Unissued Shares - Dilution*

The Resulting Issuer will have an unlimited number of Common Shares that may be issued by the Board of Directors without further action by or approval of its shareholders. While the Board of Directors of the Resulting Issuer is required to fulfil its fiduciary obligations in connection with the issuance of shares, shares may be issued in transactions with which not all shareholders will agree, or shares may be issued in connection with equity financings, and the issuance of such shares will cause dilution to the ownership interests of the Resulting Issuer's shareholders.

## **PART V – GENERAL MATTERS**

### **Sponsorship**

As of the date of the Filing Statement, Lions Bay has made application to the Exchange for waiver of the sponsorship requirements of Exchange Policy 2.2 in connection with the Acquisition and Lions Bay's Qualifying Transaction. There are no assurances as to if, or when, Exchange waiver of sponsorship requirements will be received.

### **Experts**

In connection with the QT, no expertised reports, valuations or opinions were relied on by Lions Bay in the preparation of, nor is reference to any such report, valuation or opinion included in, this Filing Statement.

### **Other Material Facts**

There are no material facts about Lions Bay, Pan Andean, the Resulting Issuer or the Acquisition that have not been disclosed in this Filing Statement.

### **Board Approval**

The contents and filing of this Filing Statement have been approved by the Board of Directors of Lions Bay. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than Lions Bay, Lions Bay has relied upon information furnished by such person.

### **Financial Statements**

Lions Bay's:

1. audited financial statements for the year ended May 31, 2016;
2. audited financial statements for the years ended May 31, 2015 and 2014; and
3. unaudited interim financial statements for the nine-month interim period ended February 28, 2017;

have been electronically filed with regulators by Lions Bay and are available through the Internet at the SEDAR website ([www.sedar.com](http://www.sedar.com)) under Lions Bay's issuer profile and are also attached to this Filing Statement as Appendix 1.

Pan Andean's:

1. audited financial statements for the year ended June 30, 2016;
2. audited financial statements for the years ended June 30, 2015; and
3. audited interim financial statements for the nine-month period ended March 31, 2017;

are attached to this Filing Statement as Appendix 3.

Proforma Consolidated Balance Sheet of the Resulting Issuer is attached to this Filing Statement as Appendix 4.

**APPENDIX 1**

**LIONS BAY CAPITAL INC.**

**FINANCIAL STATEMENTS and MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Lions Bay Capital Inc.**  
**(A Capital Pool Company)**

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

For the Quarter Ended February 28, 2017

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

	<b>February 28</b>	<b>May 31</b>
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	11,112	6,759
<b>Total Assets</b>	<u>11,112</u>	<u>6,759</u>
<b>Liabilities and Shareholders' Deficit</b>		
<b>Current Liabilities</b>		
Trade and other payables	36,594	43,409
<b>Non-Current Liabilities</b>		
Arcourt Resources Loan (Note 4, 8)	54,902	-
<b>Total Liabilities</b>	<u>91,496</u>	<u>43,409</u>
<b>Shareholders' Deficit</b>		
Share capital (Note 5b)	443,843	443,843
Contributed surplus (Note 6)	37,290	37,290
Accumulated deficit	(561,517)	(517,783)
<b>Total Shareholders' Deficit</b>	<u>(80,384)</u>	<u>(36,650)</u>
<b>Total Liabilities and Shareholders' Deficit</b>	<u>11,112</u>	<u>6,759</u>

Subsequent Events (Note 8)

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

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	Three Months Ended		Nine Months Ended	
	Feb 28 2017 \$	Feb 29 2016 \$	Feb 28 2017 \$	Feb 29 2016 \$
<b>Expenses</b>				
Accounting & audit	3,723	4,756	11,855	10,122
Filing & shareholder fees	4,317	4,468	13,816	10,986
Legal fees	10,578	-	16,161	974
Total expenses	<u>18,618</u>	<u>9,224</u>	<u>41,832</u>	<u>22,082</u>
<b>Other Expense</b>				
Interest expense (Note 4)	<u>1,139</u>	<u>-</u>	<u>1,902</u>	<u>-</u>
<b>Net loss and total comprehensive loss</b>	<u>(19,757)</u>	<u>(9,224)</u>	<u>(43,734)</u>	<u>(22,082)</u>
<b>Loss per common share</b>				
- Basic and Diluted	<u>(0.01)</u>	<u>(0.00)</u>	<u>(0.01)</u>	<u>(0.01)</u>
<b>Weighted average number of common shares</b>				
(Net of shares held in escrow - Note 5c)				
- Basic and Diluted	<u>3,535,168</u>	<u>3,343,520</u>	<u>3,535,168</u>	<u>2,883,781</u>

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

**Lions Bay Capital Inc.**

Condensed Interim Statements of Changes in Shareholders' Deficit  
(Unaudited – Prepared by Management)  
Expressed in Canadian Dollars

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	<b>Number of Shares</b>	<b>Share Capital \$</b>	<b>Contributed Surplus \$</b>	<b>Accumulated Deficit \$</b>	<b>Total Shareholders' Deficit \$</b>
Balance – May 31, 2015	2,655,168	381,842	37,290	(475,821)	(56,689)
Debt Conversion	240,000	12,000	-	-	12,000
Private Placement	1,140,000	57,000	-	-	57,000
Share Issuance Costs	-	(6,999)	-	-	(6,999)
Loss for the period	-	-	-	(22,082)	(22,082)
Balance – Feb 29, 2016	<u>4,035,168</u>	<u>443,843</u>	<u>37,290</u>	<u>(497,903)</u>	<u>(16,770)</u>

	<b>Number of Shares</b>	<b>Share Capital \$</b>	<b>Contributed Surplus \$</b>	<b>Accumulated Deficit \$</b>	<b>Total Shareholders' Deficit \$</b>
Balance – May 31, 2016	4,035,168	443,843	37,290	(517,783)	(36,650)
Loss for the period	-	-	-	(43,734)	(43,734)
Balance – Feb 28, 2017	<u>4,035,168</u>	<u>443,843</u>	<u>37,290</u>	<u>(561,517)</u>	<u>(80,384)</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)  
Expressed in Canadian Dollars

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	<b>Nine Months Ended</b>	
	<b>Feb 28 2017 \$</b>	<b>Feb 29 2016 \$</b>
<b>Cash Flows From (Used In)</b>		
<b>Operating Activities</b>		
Net Loss and Comprehensive Loss	(43,734)	(22,082)
Deduct Non-Cash & Other Items:		
Changes in Non-Cash Working Capital:		
Receivable	-	6,184
Trade and Other Payables	(6,815)	(27,711)
Accrued Interest	1,902	-
	(4,913)	(21,527)
	(48,647)	(43,609)
<b>Financing Activities</b>		
Arcourt Resources Loan (Note 4)	53,000	-
Private Placement	-	57,000
Issuance Costs		(6,999)
	53,000	50,001
<b>Net Increase in Cash</b>	4,353	6,392
<b>Cash - Beginning of Period</b>	6,759	5,686
<b>Cash - End of Period</b>	11,112	12,078

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

# Lions Bay Capital Inc.

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

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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 April 28, 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 February 28, 2017, the Company had no source of operating revenues, had a current working capital deficit of (\$25,482), an accumulated a deficit of \$561,517, 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 8.

## **2. 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 3.

### **Significant Accounting Policies**

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

## **3. 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.

## Lions Bay Capital Inc.

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

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### 4. 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, which was subsequently amended and increased to be up 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 8. Arcourt Resources NL has a common director and shareholder with Lions Bay. See Note 7.

	\$
Loan Principal	53,000
Accrued Interest	<u>1,902</u>
Balance – February 28, 2017	<u>54,902</u>

### 5. 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, 2016: 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 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.

## Lions Bay Capital Inc.

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

### 6. 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, 2016 and February 28, 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	3.74	150,000	Nov 23, 2020

### 7. 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.

In September 2016, the Company entered into a loan agreement Arcourt Resources NL, an entity which has a common director and shareholder with Lions Bay. See Note 4. For the three months ended February 28, 2017, a total of \$16,000 (2016: nil) was drawn down and recorded total accrued interest of \$1,131 (2016:nil). For the nine months ended February 28, 2017, a total of \$53,000 (2016: nil) was drawn down and recorded total accrued interest of \$1,902 (2016: nil).

## Lions Bay Capital Inc.

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

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Subsequently in March 2017, the Company entered into a Share Exchange Agreement with Pan Andean, which contemplates a reverse takeover of Lions Bay by Pan Andean, where upon completion of the transaction, control of the combined company would pass to the former shareholders of Pan Andean. The primary assets of Pan Andean currently are investments in other companies which have a common director and shareholder with Lions Bay.

### 8. Subsequent Events

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. In March 2017, a total of \$20,000 was drawn down against this loan.

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.

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, up to a maximum of \$3,500,000.

Upon completion of the transaction, control of the combined company will pass to the former shareholders of Pan Andean, in a transaction and amalgamation referred to as a “reverse takeover”.

In accordance with the terms of the Share Exchange Agreement, Lions Bay will conduct a non-brokered private placement offering of up to 20,000,000 Common Shares at a per share price of \$0.05 for aggregate gross proceeds of up to \$1,000,000 (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, including prior approval by the TSX Venture Exchange (the “Exchange”).

**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS FROM OPERATIONS – FOR THE QUARTER ENDED FEBRUARY 28, 2017**

The following information should be read in conjunction with the condensed interim financial statements and related notes of Lions Bay Capital Inc. (the "Company" or "Lions Bay") for the quarter ended February 28, 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](http://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**

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.

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, 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 qualifying transaction 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.

## Going Concern

The 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. Currently, the Company had no source of operating revenues, had a current working capital deficit of (\$25,482), an accumulated a deficit of (\$561,517), 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 Subsequent Events.

## Results from Operations and Total Loss for the Quarter Ended February 28, 2017

	Three Months Ended February 28		Nine Months Ended February 28	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Expenses</b>				
Accounting & audit	3,723	4,756	11,855	10,122
Filing & shareholder fees	4,317	4,468	13,816	10,986
Legal fees	10,578	-	16,161	974
	<u>18,618</u>	<u>9,224</u>	<u>41,832</u>	<u>22,082</u>
<b>Other Expense</b>				
Interest expense	<u>1,139</u>	<u>-</u>	<u>1,902</u>	<u>-</u>
<b>Total Loss and Total Comprehensive Loss</b>	<u>(19,757)</u>	<u>(9,224)</u>	<u>(43,734)</u>	<u>(22,082)</u>
<b>Loss per common share</b>				
- Basic and Fully Diluted	<u>(0.01)</u>	<u>(0.00)</u>	<u>(0.01)</u>	<u>(0.01)</u>
<b>Weighted average number of common shares</b> (Net of shares held in escrow - Note 4c)				
- Basic and Fully Diluted	<u>3,535,168</u>	<u>3,343,520</u>	<u>3,535,168</u>	<u>2,883,781</u>

## Results from Operations for the Three and Nine Months Ended February 28, 2017

During the current quarter, the Company incurred additional legal and professional fees related to negotiating a potential QT. See Subsequent Events. Compared to the prior year quarter and year, the Company did not have an active potential QT at the time and maintained modest expenditures.

During the prior year, the Company also negotiated a reduction in certain legal fees which were previously outstanding, which resulted in a reduction in legal expenditures recorded during the prior year.

## **Financing – Arcourt Resources Loan**

In September 2016, the Company entered a loan agreement with Arcourt Resources NL (the “Arcourt Resource Loan”) for a principal amount of up to \$37,000, which in January 2017 was amended and increased up to \$53,000. The Arcourt Resources Loan is unsecured and bears interest of 10% per annum, payable at repayment. Repayment of the Arcourt Resources Loan shall be on such date that is the earlier of the completion of a QT or 18 months after the date of the loan agreement.

At February 28, 2017, total amount outstanding was \$54,902 comprised of \$53,000 loan principle and \$1,902 accrued interest.

## **Liquidity and Capital Resources**

At February 28, 2017, the Company’s had a net current working capital deficit of (\$25,482), compared to a net working capital of (\$36,650) as at May 31, 2016. The net increase in current working capital of \$11,168 reflects the Arcourt Resources loan of \$54,902 offset by the net loss of (\$43,734) during the year. See Subsequent Events.

## **Financial Instruments**

Financial instruments consist of cash, trade and other payables and the Arcourt Resources Loan.

## **Off-Balance Sheet Arrangements**

None

## **Related Party Transactions**

None

## **Subsequent Events**

On March 1, 2017, the Company entered a loan agreement with Pan Andean Capital PTY Ltd (“Pan Andean”) for a principle amount of up to \$50,000, which is unsecured and bears interest at 10% per annum, 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, a total of \$20,000 was drawn down against this loan.

On March 6, 2017, the Company entered a definitive, binding Share Exchange Agreement Pan Andean and its shareholders pursuant to which Lions Bay will acquire (the “Acquisition”) all 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 will become a wholly-owned subsidiary of Lions Bay.

The Acquisition is subject to conditions precedent typical of a transaction of its nature, including prior approval by the TSX Venture Exchange (the “Exchange”).

## Summary of Selected Quarterly Information

Fiscal Quarters Ended	May 31 2016 \$	Aug 31 2016 \$	Nov 30 2016 \$	Feb 28 2017 \$
<b>Net Loss and Comprehensive Loss</b>	<u>(19,879)</u>	<u>(5,150)</u>	<u>(18,827)</u>	<u>(19,757)</u>
<b>Basic and Fully Diluted Loss per Share</b>	<u>(0.00)</u>	<u>(0.00)</u>	<u>(0.01)</u>	<u>(0.01)</u>
<b>Weighted Average Number of Common Shares</b> (net of shares held in escrow) - Basic and Fully Diluted	<u>3,535,168</u>	<u>3,535,168</u>	<u>3,535,168</u>	<u>3,535,168</u>

Fiscal Quarters Ended	May 31 2015 \$	Aug 31 2015 \$	Nov 30 2015 \$	Feb 29 2016 \$
<b>Net Loss and Comprehensive Loss</b>	<u>(16,374)</u>	<u>(5,429)</u>	<u>(7,640)</u>	<u>(9,225)</u>
<b>Basic and Fully Diluted Loss per Share</b>	<u>(0.01)</u>	<u>(0.00)</u>	<u>(0.00)</u>	<u>(0.00)</u>
<b>Weighted Average Number of Common Shares</b> (net of shares held in escrow) - Basic and Fully Diluted	<u>2,155,168</u>	<u>2,155,168</u>	<u>2,155,168</u>	<u>3,343,520</u>

## Share Information

	Issued	Authorized
<b>Share Capital</b>		
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	
<b>Stock Options</b>	<u>150,000</u>	
<b>Total Share Capital</b> - 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 potential 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](http://www.sedar.com) by searching under the Company's name.

**Lions Bay Capital Inc.  
(A Capital Pool Company)**

Financial Statements  
Expressed in Canadian Dollars

For Year Ended May 31, 2016



Tel: 604 688 5421  
Fax: 604 688 5132  
www.bdo.ca

BDO Canada LLP  
600 Cathedral Place  
925 West Georgia Street  
Vancouver BC V6C 3L2 Canada

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## Independent Auditor's Report

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### To the Shareholders of Lions Bay Capital Inc.

We have audited the accompanying financial statements of Lions Bay Capital Inc., which comprise the statements of financial position as at May 31, 2016 and May 31, 2015 and the statements of loss and comprehensive loss, changes in deficiency and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lions Bay Capital Inc. as at May 31, 2016 and May 31, 2015 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the Company has no source of operating revenues, has accumulated a deficit of \$517,783 and expects to incur further losses in the development of its business and has no assurance that it will be able to complete a Qualifying Transaction. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

(signed) "BDO CANADA LLP"

Chartered Professional Accountants  
Vancouver, British Columbia  
September 26, 2016



**Lions Bay Capital Inc.**  
 Statements of Loss and Comprehensive Loss  
 Expressed in Canadian Dollars  
 For the Years ended May 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
	\$	\$
<b>Expenses</b>		
Accounting and audit	27,325	31,091
Filing and shareholder fees	13,663	22,448
Legal fees	974	58,243
Total expenses	<u>41,962</u>	<u>111,782</u>
<b>Other income</b>		
Loan forgiveness (Note 2)	<u>-</u>	<u>61,000</u>
<b>Net loss and comprehensive loss</b>	<u>(41,962)</u>	<u>(50,782)</u>
<b>Loss per common share</b>		
- basic and fully diluted	<u>(0.01)</u>	<u>(0.02)</u>
<b>Weighted average number of common shares</b>		
(net of shares held in escrow (Note 6c))	<u>3,173,201</u>	<u>2,155,168</u>

The accompanying notes are an integral part of these financial statements

**Lions Bay Capital Inc.**  
 Statements of Changes in Deficiency  
 Expressed in Canadian Dollars  
 For the years Ended May 31, 2016 and 2015

	<b>Number of Shares</b>	<b>Share Capital \$</b>	<b>Contributed Surplus \$</b>	<b>Accumulated Deficit \$</b>	<b>Total Shareholders' Deficiency \$</b>
Balance – May 31, 2014	2,655,168	381,842	37,290	(425,039)	(5,907)
Loss for the year	-	-	-	(50,782)	(50,782)
Balance – May 31, 2015	2,655,168	381,842	37,290	(475,821)	(56,689)
Debt Conversion	240,000	12,000	-	-	12,000
Private Placement	1,140,000	57,000	-	-	57,000
Issuance Costs	-	(6,999)	-	-	(6,999)
Loss for the year	-	-	-	(41,962)	(41,962)
Balance – May 31, 2016	4,035,168	443,843	37,290	(517,783)	(36,650)

The accompanying notes are an integral part of these financial statements

**Lions Bay Capital Inc.**

Statements of Cash Flows  
Expressed in Canadian Dollars  
For the Years Ended May 31, 2016 and 2015

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	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows (used in) from operating activities</b>		
Net loss	(41,962)	(50,782)
Deduct non-cash & other items (Note 2):		
Gain on loan forgiveness	-	(61,000)
Return of special warrants	-	37,487
Changes in non-cash working capital balances:		
Receivable	6,184	(6,184)
Trade and other payables	(13,150)	(2,249)
	<u>(48,928)</u>	<u>(82,728)</u>
<b>Cash flows from financing activities</b>		
Private placement	57,000	-
Share issuance costs	(6,999)	-
Return of special warrants subscriptions received (Note 2, 6d)	-	(789,520)
Restricted cash (Note 2, 6d)	-	789,520
Promissory note issued (Note 2)	-	61,000
	<u>50,001</u>	<u>61,000</u>
<b>Net increase (decrease) in cash</b>	<u>1,073</u>	<u>(21,728)</u>
<b>Cash - Beginning of year</b>	<u>5,686</u>	<u>27,414</u>
<b>Cash - End of year</b>	<u>6,759</u>	<u>5,686</u>

The accompanying notes are an integral part of these financial statements

# Lions Bay Capital Inc.

Notes to the Financial Statements

Expressed in Canadian Dollars

For the Years Ended May 31, 2016 and 2015

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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.

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, 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 qualifying transaction 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 financial statements were authorized for issue by the Board of Directors on September 26, 2016.

### 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, 2016, the Company had no source of operating revenues, had an accumulated deficit of \$517,783, 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.

## **Lions Bay Capital Inc.**

Notes to the Financial Statements

Expressed in Canadian Dollars

For the Years Ended May 31, 2016 and 2015

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### **2. Termination of Previously Proposed Qualifying Transaction with Energreen**

On January 19, 2015, the Letter of Intent dated December 16, 2013, between Lions Bay and Energreen Investment S.A.R.L. ("Energreen") with respect to the proposed acquisition (the "Acquisition") of Energreen by Lions Bay, which was intended to serve as Lions Bay's Qualifying Transaction under the policies of the TSX Venture Exchange, was terminated by mutual agreement of the parties. A Termination Agreement dated January 13, 2015, as entered into between Lions Bay and Energreen, documents the mutual agreement to terminate the proposed Acquisition, as well as termination of the loan agreement dated June 27, 2014, whereby Energreen loaned (the "Loan") \$61,000 to Lions Bay, forgiveness of Lions Bay's indebtedness to Energreen pursuant to the Loan as evidenced by promissory note, and release and discharge by each party of the other from any and all past, present or future claims, demands or obligations. In consideration of Lions Bay releasing Energreen from all past, present or future obligations in connection with the proposed Acquisition, Energreen has paid Lions Bay a break fee of \$20,000. The sponsorship proposal among Lions Bay, Energreen and Mackie Research Capital Corporation ("Mackie Research Capital") of Toronto, Ontario, in connection with the proposed Acquisition (as previously announced on February 19, 2014) has also been terminated, Mackie Research Capital having received a fee of \$20,000 (plus applicable taxes) for its services, plus reimbursement of out-of-pocket expenses incurred to date. Gross proceeds of \$789,520 raised in connection with the issuance by Lions Bay of 5,263,465 Special Warrants at a price of \$0.15 per Special Warrant which were held in escrow under the terms of the Special Warrant Indenture dated March 4, 2014, as amended, between Lions Bay and Computershare Trust Company as Trustee, were returned to the subscribers of the Special Warrants, together with accrued interest on a pro rata basis, less applicable withholding tax. Previously deferred accumulated legal fees and filing costs totaling \$37,487, were expensed in the profit and loss for the year ended May 31, 2015.

### **3. Basis of Preparation**

#### **Statement of Compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

#### **Basis of Measurement**

The financial statements have been prepared on a historical cost basis, and are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of 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 financial statements are disclosed in Note 5.

#### **4. Summary of Significant Accounting Policies**

The significant accounting policies set out below have been applied for the year ended May 31, 2016 and have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

##### **Cash**

Cash includes funds in corporate bank accounts, and deposits with original maturities of three months or less.

##### **Financial Instruments**

The Company's financial instruments consist of cash, and trade and other payables, which are classified as other financial liabilities. These are initially measured at fair value and subsequently measured at amortized cost.

##### **Impairment on Financial Assets**

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

##### **Other Financial Liabilities**

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade and other payables. Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the financial liabilities are derecognized.

##### **Income Taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

**4. Summary of Significant Accounting Policies – (continued)**

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**Share Capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, from the proceeds.

**Earnings (Loss) per Share**

The calculation of basic earnings (loss) per share is based on net income (loss) divided by the weighted average number of common shares outstanding. Shares held in escrow, for which release from escrow is subject to conditions other than the passage of time, are excluded from this calculation.

Diluted per share amounts are calculated using the treasury stock method, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at an average market price during the year.

**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.

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

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.

## Lions Bay Capital Inc.

Notes to the Financial Statements

Expressed in Canadian Dollars

For the Years Ended May 31, 2016 and 2015

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### 5. 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.

The going concern assumption as disclosed in Note 1 was a critical judgement in preparing these consolidation financial statements. There were no further critical accounting estimates and judgments in applying accounting policies that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year.

### 6. 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) 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.

#### c) Escrow shares:

At May 31, 2016, 500,000 (May 31, 2015: 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 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.

## Lions Bay Capital Inc.

Notes to the Financial Statements

Expressed in Canadian Dollars

For the Years Ended May 31, 2016 and 2015

### 6. Share Capital – (continued)

#### d) Special Warrants Subscriptions Received

On March 4, 2014, the Company closed a non-brokered private placement financing (the “Special Warrants Financing”) and issued 5,263,465 special warrants at a price of \$0.15 per special warrant, for aggregate gross proceeds of \$789,520. Each Special Warrant shall, subject to adjustment, entitle the holder to receive one Common share of the Company as presently constituted at no additional cost. The Special Warrants Financing was carried out in conjunction with Lions Bay’s proposed Acquisition of Energreen, which was intended to serve as Lions Bay’s QT in accordance with the policies of the TSX Venture Exchange. The gross proceeds raised under the Special Warrants Financing were held in escrow under the terms of a Special Warrant Indenture dated March 4, 2014, between Lions Bay and Computershare Trust Company as Trustee, releasable to Lions Bay on completion of the Acquisition. Net proceeds from the Special Warrants Financing were to be used by Lions Bay to fund the business of Energreen and for general corporate purposes.

On January 19, 2015, the Company announced that the letter of intent dated December 16, 2013, between Lions Bay and Energreen with respect to the proposed Acquisition, which was intended to serve as Lions Bay’s Qualifying Transaction under the policies of the TSX Venture Exchange (as previously announced by news releases on December 17, 2013, January 31, 2014, March 4, 2014, July 7, 2014 and October 30, 2014), has been terminated by mutual agreement of the parties.

Gross proceeds of \$789,520 raised in connection with the issuance by Lions Bay of 5,263,465 Special Warrants at a price of \$0.15 per Special Warrant, which were held in escrow under the terms of the Special Warrant Indenture dated March 4, 2014, as amended, between Lions Bay and Computershare Trust Company as Trustee, have been returned to the subscribers of the Special Warrants, together with accrued interest on a pro rata basis, less applicable withholding tax.

<b>Special warrants subscriptions received</b>	<b>Number of Special Warrants</b>	<b>Value \$</b>
Balance – May 31, 2014	5,263,465	752,033
Restricted cash – Return of proceeds	(5,263,465)	(792,406)
Financing costs - expensed		37,487
Accrued interest - expensed		2,886
Balance – May 31, 2015 and 2016	-	-

## Lions Bay Capital Inc.

Notes to the Financial Statements

Expressed in Canadian Dollars

For the Years Ended May 31, 2016 and 2015

### 7. 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 Qualified Transaction will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted.

The following table summarizes stock options:

	<b>Number of options</b>	<b>Exercise price \$</b>
Balance – May 31, 2015 and 2016	150,000	0.20

A total of 150,000 stock options have been granted, for which the fair value was estimated on the date of the grant using a Black-Scholes option pricing model and the following assumptions: share price of \$0.20, dividend yield of \$nil, expected volatility of 100%, risk-free interest rate of 3.14%, and an expected life of 10 years.

All options were granted prior to the Company establishing an adequate trading history to determine historical volatility, therefore historical volatility of companies of similar companies with adequate trading history was used to estimate expected volatility.

The following tables summarizes stock options currently outstanding and exercisable:

<b>Exercise price \$</b>	<b>Number of options outstanding</b>	<b>Weighted average remaining life (years)</b>	<b>Number of options exercisable</b>	<b>Expiry date</b>
0.20	150,000	4.5	150,000	Nov 23, 2020

### 8. 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. There were no related party transactions during the years ended May 31, 2016 and 2015.

## Lions Bay Capital Inc.

Notes to the Financial Statements

Expressed in Canadian Dollars

For the Years Ended May 31, 2016 and 2015

### 9. Income Taxes

Taxation in the Company's operational jurisdiction is calculated at the rate prevailing in its respective jurisdiction. There is no tax charge arising for the Company for the year in Canada. The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Loss before tax per the accounts	(41,962)	(50,782)
Income taxed at local statutory rates - 26.00%	(11,000)	(13,000)
Share issuance costs	(1,000)	-
Change in unrecognized deferred tax assets	12,000	13,000
Income tax expense/(recovery)	-	-

The Canadian Federal corporate tax rate remained at 15.00% and the British Columbia provincial tax rate is at 11.00%.

#### Deferred Tax Assets and Liabilities

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at May 31, 2016 and 2015 are summarized as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Non-capital losses	155,000	141,000
Undeducted financing costs	6,000	8,000
Unrecognized deferred tax assets	(161,000)	(149,000)
Net deferred tax assets	-	-

As at May 31, 2016, the Company has estimated Canadian non-capital losses for income tax purposes that may be carried forward to reduce taxable income derived in future years, as summarized below:

<b>Year of Expiry</b>	<b>Taxable Losses</b>
	<b>\$</b>
2031	9,000
2032	155,000
2033	98,000
2034	137,000
2035	142,000
2036	54,000
Total	595,000

## **Lions Bay Capital Inc.**

Notes to the Financial Statements

Expressed in Canadian Dollars

For the Years Ended May 31, 2016 and 2015

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### **9. Income Taxes - (continued)**

The potential benefits of these carry-forward non-capital losses, and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

### **10. Management**

The Company's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Company is not subject to any externally imposed capital requirements other than as discussed above in Note 1. The Company may issue new shares and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. There was no change in the Company's capital management process during the year.

### **11. Financial Instruments**

#### **Fair Values**

The Company's financial instruments consist of cash, trade and other payables. The carrying amounts of these financial instruments approximate their fair values due to the relatively short-term maturity of these instruments.

#### **Credit Risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with high credit quality financial institutions. The carrying amount of cash represents the maximum exposure to credit risk.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's current obligations consist of accounts payable, which are all due within 30 days.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

**12. Subsequent Event**

In September 2016, the company entered into a loan agreement with a third party for a principal amount of up to \$37,000 (the "Loan"). An immediate draw down of \$27,000 was made on the Loan, and an additional \$10,000 is to be drawn by October 10, 2016. The Loan is unsecured and bears interest of 10% per annum, payable at repayment. Repayment of the Loan shall be on such date that is the earlier of the completion of a QT or 18 months after the date of the Loan agreement.

**LIONS BAY CAPITAL INC. (A Capital Pool Company)**  
**SEPTEMBER 26, 2016**

**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS FROM OPERATIONS – FOR THE QUARTER AND YEAR ENDED MAY 31, 2016**

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, 2016 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](http://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, 2016, the Company had no source of operating revenues, had an accumulated deficit of \$517,783, 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.

## Results from Operations and Loss for the Quarter and Year Ended May 31, 2016

	Three Months Ended		Year Ended	
	2016	May 31 2015	2016	May 31 2015
	\$	\$	\$	\$
<b>Expenses</b>				
Accounting and audit	17,202	14,761	27,325	31,091
Filing & shareholder fees	2,677	(3,188)	13,663	22,448
Legal fees	-	4,801	974	58,243
	<u>19,879</u>	<u>16,374</u>	<u>41,962</u>	<u>111,782</u>
<b>Other Income</b>				
Loan forgiveness	-	-	-	61,000
	<u>(19,879)</u>	<u>(16,374)</u>	<u>(41,962)</u>	<u>(50,782)</u>
<b>Total Loss and Comprehensive Loss</b>				
<b>Loss per common share</b>				
- Basic and fully diluted	<u>(0.00)</u>	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.02)</u>

### Results from Operations for the Quarter Ended May 31, 2016

Accounting and audit expenses for the current year included nominal increases for the year-end related work. Filing & shareholder fees were comparable, noting the prior year included a \$6,184 credit refund related to previously paid fees. Legal fees have been kept to a minimum, while the Company continues to identify and evaluate a potential QT.

### Results from Operations for the Year Ended May 31, 2016

The Company continued to identify and evaluate a potential QT, expenditures during the current year, have been kept to a minimum and had negotiated partial relief and recovery on certain previous legal costs, which were reflected the current year,

In comparison to the prior year, the Company had incurred higher expenditures while it negotiated a previously proposed QT with Energreen, through until January 2015 when negotiations were terminated by mutual agreement.

### Liquidity and Capital Resources

As at May 31, 2016, the Company had a net working capital deficit of <\$36,650>, comprised of cash of \$6,759 and outstanding payables of \$43,409. See Subsequent Event.

## 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		
	2016	2015	2014
Total Revenues	nil	nil	nil
Other Income	nil	61,000	nil
Total Loss and Comprehensive Loss	(41,962)	(50,782)	(104,995)
Basic & Fully Diluted Loss per Share	(0.01)	(0.02)	(0.06)
Cash Dividends	nil	nil	nil
Total Assets	6,759	11,870	816,934
Total Long-Term Liabilities	nil	nil	nil

## Financial Instruments

The Company's current financial instruments consist of cash, and trade and other payables, 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.

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

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

In September 2016, the company entered into a loan agreement with a third party for a principal amount of up to \$37,000 (the "Loan"). An immediate draw down of \$27,000 was made on the Loan Agreement, and an additional \$10,000 is to be drawn by October 10, 2016. The Loan is unsecured and bears interest of 10% per annum, payable at repayment. Repayment of the Loan shall be on such date that is the earlier of the completion of a QT or 18 months after the date of the Loan agreement.

## Summary of Selected Quarterly Information

	Quarter Aug 31 2015 \$	Quarter Nov 30 2015 \$	Quarter Feb 28 2016 \$	Quarter May 31 2016 \$	Year May 31 2016 \$
<b>Net Loss and Comprehensive Loss</b>	(5,429)	(7,429)	(9,225)	(19,879)	(41,962)
<b>Basic and Fully Diluted Loss per Share</b>	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
<b>Weighted Average Number of Common Shares</b> (net of shares held in escrow) - Basic and fully diluted	2,155,168	2,155,168	3,343,520	4,035,168	3,173,201

	Quarter Aug 31 2014 \$	Quarter Nov 30 2014 \$	Quarter Feb 28 2015 \$	Quarter May 31 2015 \$	Year May 31 2015 \$
<b>Net Loss and Comprehensive Loss</b>	(25,592)	(28,928)	20,112	(16,374)	(50,782)
<b>Basic and Fully Diluted Loss per Share</b>	(0.01)	(0.01)	0.01	(0.01)	(0.02)
<b>Weighted Average Number of Common Shares</b> (net of shares held in escrow) - Basic and fully diluted	2,155,168	2,155,168	2,155,168	2,155,168	2,155,168

## Share Information

	<b>Issued</b>	<b>Authorized</b>
<b>Share Capital</b>		
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	
<b>Stock Options</b>		
	<u>150,000</u>	
<b>Total Share Capital</b>		
- 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](http://www.sedar.com) by searching under the Company's name.

**Lions Bay Capital Inc.  
(A Capital Pool Company)**

Consolidated Financial Statements  
Expressed in Canadian Dollars

For Year Ended May 31, 2015



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BDO Canada LLP  
600 Cathedral Place  
925 West Georgia Street  
Vancouver BC V6C 3L2 Canada

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## Independent Auditor's Report

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To the Shareholders of Lions Bay Capital Inc.

We have audited the accompanying consolidated financial statements of Lions Bay Capital Inc., which comprise the consolidated statements of financial position as at May 31, 2015 and May 31, 2014 and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lions Bay Capital Inc. as at May 31, 2015 and May 31, 2014 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the Company has no source of operating revenues, has accumulated a deficit of \$475,821 and expects to incur further losses in the development of its business and has no assurance that it will be able to complete a Qualifying Transaction. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

(signed) "BDO CANADA LLP"

Chartered Professional Accountants

Vancouver, British Columbia  
September 28, 2015

**Lions Bay Capital Inc.**  
Consolidated Statements of Financial Position  
Expressed in Canadian Dollars  
As at May 31, 2015 and 2014

	<b>May 31 2015 \$</b>	<b>May 31 2014 \$</b>
<b>Assets</b>		
Current Assets		
Cash	5,686	27,414
Restricted cash (Note 5d)	-	789,520
Receivable	6,184	-
<b>Total Assets</b>	<b>11,870</b>	<b>816,934</b>
 <b>Liabilities and Shareholders' Equity</b>		
Current Liabilities		
Trade and other payables	68,559	70,808
Special warrants subscriptions received (Note 5d)	-	752,033
<b>Total Liabilities</b>	<b>68,559</b>	<b>822,841</b>
 <b>Shareholders' Deficiency</b>		
Share capital (Note 5b)	381,842	381,842
Contributed surplus	37,290	37,290
Accumulated deficit	(475,821)	(425,039)
<b>Total Shareholders' Deficiency</b>	<b>(56,689)</b>	<b>(5,907)</b>
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>11,870</b>	<b>816,934</b>

Nature of Operations and Going Concern (Note 1)  
Subsequent Event (Note 12)

**APPROVED BY THE DIRECTORS**

<u>“Rick Wilson”</u> Rick Wilson	Director	<u>“Ross MacLachlan”</u> Ross MacLachlan	Director
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The accompanying notes are an integral part of these consolidated financial statements

**Lions Bay Capital Inc.**  
Consolidated Statements of Loss and Comprehensive Loss  
Expressed in Canadian Dollars  
For the Years ended May 31, 2015 and 2014

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	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Expenses</b>		
Accounting and audit	31,091	51,304
Filing & shareholder fees	22,448	21,755
Legal fees	58,243	31,936
Total expenses	111,782	104,995
<b>Other income</b>		
Loan forgiveness (Note 1)	61,000	-
<b>Net loss and comprehensive loss</b>	(50,782)	(104,995)
<b>Loss per common share</b>		
- basic and fully diluted	(0.02)	(0.06)
<b>Weighted average number of common shares</b>		
(net of shares held in escrow (Note 5c))	2,155,168	1,634,934
- basic and fully diluted		

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

**Lions Bay Capital Inc.**  
Consolidated Statements of Changes in Equity (Deficiency)  
Expressed in Canadian Dollars  
For the years Ended May 31, 2015 and 2014

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	<b>Number of Shares</b>	<b>Share Capital \$</b>	<b>Contributed Surplus \$</b>	<b>Accumulated Deficit \$</b>	<b>Total Shareholders' Equity \$</b>
Balance – May 31, 2013	1,978,500	288,750	37,290	(320,044)	5,996
Private Placement	676,668	101,500	-	-	101,500
Share issuance costs	-	(8,408)	-	-	(8,408)
Loss for the year	-	-	-	(104,995)	(104,995)
Balance – May 31, 2014	2,655,168	381,842	37,290	(425,039)	(5,907)
Loss for the year	-	-	-	(50,782)	(50,782)
Balance – May 31, 2015	2,655,168	381,842	37,290	(475,821)	(56,689)

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

**Lions Bay Capital Inc.**  
Consolidated Statements of Cash Flows  
Expressed in Canadian Dollars  
For the Years Ended May 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Cash flows (used in) from operating activities</b>		
Net loss and comprehensive loss	(50,782)	(104,995)
Deduct non-cash & other items (Note 1):		
Gain on loan forgiveness	(61,000)	-
Return of special warrants	37,487	-
Changes in non-cash working capital balances:		
Receivable	(6,184)	-
Trade and other payables	(2,249)	21,312
	<u>(82,728)</u>	<u>(83,683)</u>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from special warrants subscriptions received (Note 1, 5)	-	789,520
Return of special warrants subscriptions received (Note 1, 5)	(792,406)	-
Restricted cash (Note 1, 5)	789,520	(789,520)
Interest received (Note 5)	2,886	-
Special warrant issuance costs (Note 1, 5)	-	(37,487)
Proceeds from private placement	-	101,500
Share issuance costs	-	(8,408)
Promissory note issued (Note 1, 5)	61,000	-
	<u>61,000</u>	<u>55,605</u>
<b>Net decrease in cash</b>	<u>(21,728)</u>	<u>(28,078)</u>
<b>Cash - Beginning of year</b>	<u>27,414</u>	<u>55,492</u>
<b>Cash - End of year</b>	<u>5,686</u>	<u>27,414</u>

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

# Lions Bay Capital Inc.

Notes to the Consolidated Financial Statements

Expressed in Canadian Dollars

For the Years Ended May 31, 2015 and 2014

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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, 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 qualifying transaction 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 consolidated financial statements were authorized for issue by the Board of Directors on September 28, 2015.

### Going Concern

These consolidated 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, 2015, the Company had no source of operating revenues, had accumulated a deficit of \$475,821, 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.

## **Lions Bay Capital Inc.**

Notes to the Consolidated Financial Statements

Expressed in Canadian Dollars

For the Years Ended May 31, 2015 and 2014

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### **1. Nature of Operations and Going Concern – (cont'd)**

#### **Termination of Proposed Qualifying Transaction with Energreen**

On January 19, 2015, the Letter of Intent dated December 16, 2013, between Lions Bay and Energreen Investment S.A.R.L. (“Energreen”) with respect to the proposed acquisition (the “Acquisition”) of Energreen by Lions Bay, which was intended to serve as Lions Bay’s Qualifying Transaction under the policies of the TSX Venture Exchange (as previously announced by news releases on December 17, 2013, January 31, 2014, March 4, 2014, July 7, 2014 and October 30, 2014), was terminated by mutual agreement of the parties. A Termination Agreement dated January 13, 2015, as entered into between Lions Bay and Energreen, documents the mutual agreement to terminate the proposed Acquisition, as well as termination of the loan agreement dated June 27, 2014, whereby Energreen loaned (the “Loan”) \$61,000 to Lions Bay, forgiveness of Lions Bay’s indebtedness to Energreen pursuant to the Loan as evidenced by promissory note, and release and discharge by each party of the other from any and all past, present or future claims, demands or obligations. In consideration of Lions Bay releasing Energreen from all past, present or future obligations in connection with the proposed Acquisition, Energreen has paid Lions Bay a break fee of \$20,000. The sponsorship proposal among Lions Bay, Energreen and Mackie Research Capital Corporation (“Mackie Research Capital”) of Toronto, Ontario, in connection with the proposed Acquisition (as previously announced on February 19, 2014) has also been terminated, Mackie Research Capital having received a fee of \$20,000 (plus applicable taxes) for its services, plus reimbursement of out-of-pocket expenses incurred to date. Gross proceeds of \$789,520 raised in connection with the issuance by Lions Bay of 5,263,465 Special Warrants at a price of \$0.15 per Special Warrant (as previously announced on March 4, 2014), which were held in escrow under the terms of the Special Warrant Indenture dated March 4, 2014, as amended, between Lions Bay and Computershare Trust Company as Trustee, were returned to the subscribers of the Special Warrants, together with accrued interest on a pro rata basis, less applicable withholding tax. Previously deferred accumulated legal fees and filing costs totaling \$37,487, were expensed in the profit and loss for the year ended May 31, 2015.

## **Lions Bay Capital Inc.**

Notes to the Consolidated Financial Statements  
Expressed in Canadian Dollars  
For the Years Ended May 31, 2015 and 2014

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### **2. Basis of Preparation**

#### **Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

#### **Basis of Measurement**

The consolidated financial statements have been prepared on a historical cost basis, and are presented in Canadian dollars, which is also the Company’s functional currency.

The preparation of consolidated 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 consolidated financial statements are disclosed in Note 4.

#### **Consolidation**

During the year ended May 31, 2012, the Company incorporated a subsidiary in preparation of a potential Qualifying Transaction. During the year ended May 31, 2013, the potential Qualifying Transaction in question was terminated and the Company disposed of the subsidiary. The consolidated financial statements include the accounts of the Company and its controlled entity.

### **3. Summary of Significant Accounting Policies**

The significant accounting policies set out below have been applied for the year ended May 31, 2015 and have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

#### **Cash**

Cash includes funds in corporate bank accounts, and deposits with original maturities of three months or less.

#### **Restricted Cash**

Restricted cash consists of cash not available for current use that will be returned to investors if the proposed QT does not proceed.

#### **Financial Instruments**

The Company’s financial instruments consist of cash, restricted cash, and a receivable which are classified as loans and receivables, and trade and other payables, promissory notes, and special warrants subscriptions received, which are classified as other financial liabilities. These are initially measured at fair value and subsequently measured at amortized cost.

**3. Summary of Significant Accounting Policies – (cont'd)**

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Other Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise trade and other payables and special warrants subscriptions received. Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid. The promissory note represents interest bearing debt received from Energreen in advance of a proposed QT. Special warrants subscriptions received represent funds received for special warrants not yet issued. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the financial liabilities are derecognized.

**Income Taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

## **Lions Bay Capital Inc.**

Notes to the Consolidated Financial Statements

Expressed in Canadian Dollars

For the Years Ended May 31, 2015 and 2014

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### **3. Summary of Significant Accounting Policies – (cont'd)**

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

#### **Share Capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, from the proceeds.

#### **Earnings (Loss) per Share**

The calculation of basic earnings (loss) per share is based on net income (loss) divided by the weighted average number of common shares outstanding. Shares held in escrow, for which release from escrow is subject to conditions other than the passage of time, are excluded from this calculation.

Diluted per share amounts are calculated using the treasury stock method, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at an average market price during the year.

**3. Summary of Significant Accounting Policies – (cont'd)**

**Accounting standards, interpretations and amendments to existing standards**

The following standards, interpretations and amendments, have been applied to in these consolidated financial statements.

IAS 32, Financial instruments, Presentation. IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The amendments apply to annual periods beginning on or after January 1, 2014. The application of this IAS did not have a material impact on the amounts reported for the current or prior years but may affect the disclosure for future transactions or arrangements.

IAS 24 Related Party Disclosures, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The application of this IAS did not have a material impact on the amounts reported for the current or prior years but may affect the disclosure for future transactions or arrangements.

IFRIC 21 Levies. The IASB issued IFRIC 21 – Levies (“IFRIC 21”), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments. 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 (“Obligating Event”). IFRIC 21 clarifies that the Obligating 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 application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

**3. Summary of Significant Accounting Policies – (cont'd)**

**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 consolidated financial statements, will or may have an effect on the Company's future consolidated financial statements. The Company is in the process of evaluating these new standards.

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

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 consolidated financial statements.

**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.

The going concern assumption as disclosed in Note 1 was a critical judgement in preparing these consolidated financial statements. There were no further critical accounting estimates and judgments in applying accounting policies that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year.

## Lions Bay Capital Inc.

Notes to the Consolidated Financial Statements  
Expressed in Canadian Dollars  
For the Years Ended May 31, 2015 and 2014

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### 5. 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) Common shares:

On March 6, 2014, the Company closed a non-brokered private placement consisting of 676,668 common shares at a price of \$0.15 per share for gross proceeds of \$101,500.

c) Escrow shares:

At May 31, 2015, 500,000 (May 31, 2014: 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 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.

d) Special Warrants Subscriptions Received

On March 4, 2014, the Company closed a non-brokered private placement financing (the "Special Warrants Financing") and issued 5,263,465 special warrants at a price of \$0.15 per special warrant, for aggregate gross proceeds of \$789,520. Each Special Warrant shall, subject to adjustment, entitle the holder to receive one Common share of the Company as presently constituted at no additional cost. The Special Warrants Financing was carried out in conjunction with Lions Bay's proposed Acquisition of Energreen, which was intended to serve as Lions Bay's QT in accordance with the policies of the TSX Venture Exchange. The gross proceeds raised under the Special Warrants Financing were held in escrow under the terms of a Special Warrant Indenture dated March 4, 2014, between Lions Bay and Computershare Trust Company as Trustee, releasable to Lions Bay on completion of the Acquisition. Net proceeds from the Special Warrants Financing were to be used by Lions Bay to fund the business of Energreen and for general corporate purposes.

## Lions Bay Capital Inc.

Notes to the Consolidated Financial Statements  
Expressed in Canadian Dollars  
For the Years Ended May 31, 2015 and 2014

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### 5. Share Capital - (cont'd)

On January 19, 2015, the Company announced that the letter of intent dated December 16, 2013, between Lions Bay and Energreen with respect to the proposed Acquisition, which was intended to serve as Lions Bay's Qualifying Transaction under the policies of the TSX Venture Exchange (as previously announced by news releases on December 17, 2013, January 31, 2014, March 4, 2014, July 7, 2014 and October 30, 2014), has been terminated by mutual agreement of the parties.

Gross proceeds of \$789,520 raised in connection with the issuance by Lions Bay of 5,263,465 Special Warrants at a price of \$0.15 per Special Warrant, which were held in escrow under the terms of the Special Warrant Indenture dated March 4, 2014, as amended, between Lions Bay and Computershare Trust Company as Trustee, have been returned to the subscribers of the Special Warrants, together with accrued interest on a pro rata basis, less applicable withholding tax.

	<b>Number of Special Warrants</b>	<b>Value \$</b>
<b>Special warrants subscriptions received</b>		
Balance – May 31, 2014	5,263,465	752,033
Restricted cash – Return of proceeds	(5,263,465)	(792,406)
Financing costs - expensed		37,486
Accrued interest - expensed		2,866
Balance – May 31, 2015	<u>-</u>	<u>-</u>

## Lions Bay Capital Inc.

Notes to the Consolidated Financial Statements  
Expressed in Canadian Dollars  
For the Years Ended May 31, 2015 and 2014

### 6. 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 Qualified Transaction will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted.

The following table summarizes stock options:

	Number of options	Exercise price \$
Balance – May 31, 2014 and May 31, 2015	150,000	0.20

A total of 150,000 stock options have been granted, for which the fair value was estimated on the date of the grant using a Black-Scholes option pricing model and the following assumptions: share price of \$0.20, dividend yield of \$nil, expected volatility of 100%, risk-free interest rate of 3.14%, and an expected life of 10 years.

All options were granted prior to the Company establishing an adequate trading history to determine historical volatility, therefore historical volatility of companies of similar companies with adequate trading history was used to estimate expected volatility.

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	5.5	150,000	Nov 23, 2020

## Lions Bay Capital Inc.

Notes to the Consolidated Financial Statements

Expressed in Canadian Dollars

For the Years Ended May 31, 2015 and 2014

### 7. Promissory Note

In furtherance of the potential transactions which were previously contemplated by the Letter of Intent, Lions Bay borrowed \$61,000 from Energreen pursuant to the terms of a loan agreement dated as of June 27, 2014, and under a promissory note issued by Lions Bay (the "Promissory Note") which bears interest of 10% per annum and is repayable on or before February 28, 2015. The parties mutually agreed to terminate the proposed Acquisition, as well as the loan agreement. Energreen forgave the Company's indebtedness to Energreen. The parties discharged and released each party other from any and all past, present or future claims, demands or obligations (Note 1).

	<b>2015</b>
	<b>\$</b>
Balance – May 31, 2014	-
Promissory note issued	61,000
Promissory note forgiven	(61,000)
Balance – May 31, 2015	<u>-</u>

### 8. 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. There were no related party transactions during the years ended May 31, 2015 and 2014.

### 9. Income Taxes

Taxation in the Company's operational jurisdiction is calculated at the rate prevailing in its respective jurisdiction. There is no tax charge arising for the Company for the year in Canada. The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Loss before tax per the accounts	(50,782)	(104,995)
Income taxed at local statutory rates - 26.00%	(13,000)	(27,000)
Share issuance cost	-	(13,000)
Change in unrecognized deferred tax assets	13,000	40,000
Income tax expense/(recovery)	<u>-</u>	<u>-</u>

The Canadian Federal corporate tax rate remained at 15.00% and the British Columbia provincial tax rate remained at 11.00%.

## Lions Bay Capital Inc.

Notes to the Consolidated Financial Statements  
Expressed in Canadian Dollars  
For the Years Ended May 31, 2015 and 2014

### 9. Income Taxes - (cont'd)

#### Deferred Tax Assets and Liabilities

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at May 31, 2015 and 2014 are summarized as follows:

	2015	2014
	\$	\$
Non-capital losses carried forward	141,000	120,000
Undeducted financing costs	8,000	16,000
Unrecognized deferred tax assets	(149,000)	(136,000)
	<u>-</u>	<u>-</u>

As at May 31, 2015, the Company has estimated Canadian non-capital losses for income tax purposes that may be carried forward to reduce taxable income derived in future years, as summarized below:

Year of Expiry	Taxable Losses
	\$
2031	9,000
2032	155,000
2033	98,000
2034	137,000
2035	142,000
Total	<u>541,000</u>

The potential benefits of these carry-forward non-capital losses, and deductible temporary differences has not been recognized in these consolidated financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

### 10. Capital Management

The Company's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Company is not subject to any externally imposed capital requirements other than as discussed above in Notes 1 and 5. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To manage the capital structure, the Company may issue new shares. There was no change in the Company's capital management process during the year.

## **Lions Bay Capital Inc.**

Notes to the Consolidated Financial Statements  
Expressed in Canadian Dollars  
For the Years Ended May 31, 2015 and 2014

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### **11. Financial Instruments**

#### *Fair Values*

The Company's financial instruments consist of cash, receivables, trade and other payables, and promissory note. The carrying amounts of these financial instruments approximate their fair values due to the relatively short-term maturity of these instruments.

#### *Credit Risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and receivables. To minimize the credit risk the Company places these instruments with high credit quality financial institutions. The carrying amount of cash and receivables represents the maximum exposure to credit risk.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's current obligations consist of accounts payable, which are all due within 30 days.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

### **12. Subsequent Event**

Subsequent to year end a director provided the company with a demand loan in the amount of \$10,000. The loan is unsecured, non-interest bearing, and has no specified terms of repayment.

**Lions Bay Capital Inc.**  
**(A Capital Pool Company)**

Report and Consolidated Financial Statements  
Expressed in Canadian Dollars

For Year Ended May 31, 2014



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## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Lions Bay Capital Inc.

We have audited the accompanying consolidated financial statements of Lions Bay Capital Inc., which comprise the consolidated statements of financial position as at May 31, 2014 and May 31, 2013 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lions Bay Capital Inc. as at May 31, 2014 and May 31, 2013 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the Company has no source of operating revenues, has accumulated a deficit of \$425,039 and expects to incur further losses in the development of its business and has no assurance that it will be able to complete a Qualifying Transaction. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

(signed) "BDO CANADA LLP"

Chartered Accountants  
Vancouver, British Columbia  
September 26, 2014

**Lions Bay Capital Inc.**  
Consolidated Statements of Financial Position  
Expressed in Canadian Dollars  
As at May 31, 2014 and 2013

	<b>May 31 2014 \$</b>	<b>May 31 2013 \$</b>
<b>Assets</b>		
Current Assets		
Cash	27,414	55,492
Restricted cash (Note 4d)	789,520	-
<b>Total Assets</b>	<b>816,934</b>	<b>55,492</b>
 <b>Liabilities and Shareholders' Equity</b>		
Current Liabilities		
Trade and other payables	70,808	49,496
Special warrants subscriptions received (Note 4d)	752,033	-
<b>Total Liabilities</b>	<b>822,841</b>	<b>49,496</b>
 <b>Shareholders' (Deficiency) Equity</b>		
Share capital (Note 4b)	381,842	288,750
Contributed surplus (Note 5)	37,290	37,290
Accumulated deficit	(425,039)	(320,044)
<b>Total Shareholders' (Deficiency) Equity</b>	<b>(5,907)</b>	<b>5,996</b>
<b>Total Liabilities and Shareholders' (Deficiency) Equity</b>	<b>816,934</b>	<b>55,492</b>

Subsequent Event (Note 11)

**APPROVED BY THE DIRECTORS**

\_\_\_\_\_  
*"Rick Wilson"* Director  
Rick Wilson

\_\_\_\_\_  
*"Ross MacLachlan"* Director  
Ross MacLachlan

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

**Lions Bay Capital Inc.**  
Consolidated Statements of Loss and Comprehensive Loss  
Expressed in Canadian Dollars  
For the Years ended May 31, 2014 and 2013

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	<b>2014</b>	<b>2013</b>
	\$	\$
<b>Expenses</b>		
Accounting and audit	51,304	51,730
Filing & shareholder fees	21,755	(4,525)
Legal fees	31,936	28,287
	<u>104,995</u>	<u>75,492</u>
<b>Total expenses</b>		
	<u>(104,995)</u>	<u>(75,492)</u>
<b>Net loss and total comprehensive loss</b>		
	<u>(104,995)</u>	<u>(75,492)</u>
<b>Loss per common share</b>		
- basic and fully diluted	<u>(0.06)</u>	<u>(0.06)</u>
<b>Weighted average number of common shares</b>		
(net of shares held in escrow (Note 4c))		
- basic and fully diluted	<u>1,634,934</u>	<u>1,262,370</u>

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

**Lions Bay Capital Inc.**  
Consolidated Statements of Changes in Equity  
Expressed in Canadian Dollars  
For the years Ended May 31, 2014 and 2013

	Number of Shares	Share Capital \$	Warrants \$	Contributed Surplus \$	Accumulated Deficit \$	Total Shareholders' Equity \$
Balance - May 31, 2012	1,575,000	229,387	10,570	27,090	(244,552)	22,495
Private Placement	400,000	64,000	-	-	-	64,000
Financing Costs	-	(5,707)	-	-	-	(5,707)
Warrants Exercised	3,500	1,070	(370)	-	-	700
Warrants Expired	-	-	(10,200)	10,200	-	-
Loss for the year	-	-	-	-	(75,492)	(75,492)
Balance – May 31, 2013	1,978,500	288,750	-	37,290	(320,044)	5,996
Private Placement	676,668	101,500	-	-	-	101,500
Share issuance costs	-	(8,408)	-	-	-	(8,408)
Loss for the year	-	-	-	-	(104,995)	(104,995)
Balance – May 31, 2014	2,655,168	381,842	-	37,290	(425,039)	(5,907)

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

**Lions Bay Capital Inc.**  
Consolidated Statements of Cash Flows  
Expressed in Canadian Dollars  
For the Years Ended May 31, 2014 and 2013

	<b>2014</b>	<b>2013</b>
	\$	\$
<b>Cash flows (used in) from operating activities</b>		
Net loss and comprehensive loss	(104,995)	(75,492)
Changes in non-cash working capital balances:		
Tax recoverable	-	11,062
Trade and other payables	21,312	25,102
	<u>(83,683)</u>	<u>(39,328)</u>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from special warrants subscriptions received	789,520	-
Restricted cash	(789,520)	-
Special warrant issuance costs	(37,487)	-
Proceeds from private placement	101,500	64,000
Share issuance costs	(8,408)	(5,707)
Proceeds from exercise of warrants	-	700
	<u>55,605</u>	<u>58,993</u>
<b>Net (decrease) increase in cash</b>	<u>(28,078)</u>	<u>19,665</u>
<b>Cash - Beginning of year</b>	<u>55,492</u>	<u>35,827</u>
<b>Cash - End of year</b>	<u>27,414</u>	<u>55,492</u>

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

# Lions Bay Capital Inc.

Notes to the Consolidated Financial Statements  
Expressed in Canadian Dollars  
For the Years Ended May 31, 2014 and 2013

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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.

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, 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 qualifying transaction 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 consolidated financial statements were authorized for issue by the Board of Directors on September 26, 2014.

### Proposed Qualifying Transaction

On December 16, 2013, the Company entered into a letter of intent (the “Letter of Intent”) with Energreen Investment S.A.R.L. (“Energreen”) which provides that Lions Bay will acquire Energreen (the “Acquisition”) by way of a share exchange, plan or arrangement, amalgamation or such other combination as may be advised by the legal and tax counsels of Lions Bay and Energreen. Lions Bay and Energreen have commenced negotiations. The Letter of Intent currently extends to October 31, 2014, being the date until which: (i) a definitive agreement is to be entered into; (ii) each of Lions Bay and Energreen can terminate the Letter of Intent if a definitive agreement has not been entered into; and (iii) Lions Bay has agreed that it will not accept, solicit, initiate or encourage propose or offers from any other party relating to a proposed QT.

# Lions Bay Capital Inc.

Notes to the Consolidated Financial Statements

Expressed in Canadian Dollars

For the Years Ended May 31, 2014 and 2013

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## 1. Nature of Operations and Going Concern – (cont'd)

### Proposed Qualified Transaction – (cont'd)

The definitive agreement will incorporate the terms of the Letter of Intent together with such additional representations, warranties, covenants, terms and conditions respecting the Acquisition and all related matters as are usual and customary in transactions of a similar size and character.

The Acquisition will be subject to the conditions precedent that will be set out in the definitive agreement. These conditions precedent will include approval by the Exchange. There can be no assurance that the Acquisition will be completed as proposed or at all or that the Exchange will approve a definitive agreement, if and when one is reached between the parties. See Note 4d.

### Going Concern

These consolidated 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, 2014, the Company had no source of operating revenues, had accumulated a deficit of \$425,039, 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.

## 2. Summary of Significant Accounting Policies

### Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

### Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of consolidated 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 consolidated financial statements are disclosed in Note 3.

**2. Summary of Significant Accounting Policies – (cont'd)**

**Consolidation**

During the year ended May 31, 2012, the Company incorporated a subsidiary in preparation of a potential QT. During the year ended May 31, 2013, the potential QT in question was terminated and the Company disposed of the subsidiary. The consolidated financial statements include the accounts of the Company and its controlled entity.

**Significant Accounting Policies**

The significant accounting policies set out below have been applied for the year ended May 31, 2014 and have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

**Cash**

Cash includes funds in corporate bank accounts, and deposits with original maturities of three months or less.

**Restricted Cash**

Restricted cash consists of cash not available for current use that will be returned to investors if the proposed QT does not proceed.

**Financial Instruments**

The Company's financial instruments consist of cash, and restricted cash, which are classified as loans and receivables, and trade and other payables, and special warrants subscriptions received, which are classified as other financial liabilities. These are initially measured at fair value and subsequently measured at amortized cost.

**Loans and Receivables**

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

**Impairment on Financial Assets**

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

**2. Summary of Significant Accounting Policies – (cont'd)**

**Financial Liabilities**

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise trade and other payables and special warrants subscriptions received. Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid. Special warrants subscriptions received represent funds received for special warrants not yet issued. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

**Income Taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**Share Capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, from the proceeds.

**2. Summary of Significant Accounting Policies – (cont'd)**

**Earnings (Loss) per Share**

The calculation of basic earnings (loss) per share is based on net income (loss) divided by the weighted average number of common shares outstanding. Shares held in escrow, for which release from escrow is subject to conditions other than the passage of time, are excluded from this calculation.

Diluted per share amounts are calculated using the treasury stock method, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at an average market price during the year.

**Accounting standards, interpretations and amendments to existing standards**

The following standards, interpretations and amendments, have been applied to in these consolidated financial statements.

IFRS 13, Fair Value Measurement, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

**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 consolidated financial statements, will or may have an effect on the Company's future consolidated financial statements. The Company is in the process of evaluating these new standards.

IFRS 9, Financial Instruments, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. This standard is effective January 1, 2015.

IAS 32, Financial instruments, Presentation. IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The amendments apply to annual periods beginning on or after January 1, 2014. The change in accounting standard will not have a significant impact on the Company's consolidated financial statements.

**2. Summary of Significant Accounting Policies – (cont'd)**

IAS 24 Related Party Disclosures. The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRIC 21 Levies. The IASB issued IFRIC 21 – Levies (“IFRIC 21”), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments. 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 (“Obligating Event”). IFRIC 21 clarifies that the Obligating 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. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

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 consolidated financial statements.

**3. 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.

There were no critical accounting estimates and judgments in applying accounting policies that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year.

## Lions Bay Capital Inc.

Notes to the Consolidated Financial Statements  
Expressed in Canadian Dollars  
For the Years Ended May 31, 2014 and 2013

### 4. 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) Common shares:

	Number of shares	Value \$
Balance – May 31, 2012	1,575,000	229,387
Proceeds from warrants exercised	3,500	700
Warrants reserve transferred on warrants exercised	-	370
Proceeds from private placement	400,000	64,000
Share issuance costs	-	(5,707)
	<hr/>	<hr/>
Balance – May 31, 2013	1,978,500	288,750
Proceeds from private placement	676,668	101,500
Share issuance costs	-	(8,408)
	<hr/>	<hr/>
Balance – May 31, 2014	2,655,168	381,842

On December 10, 2012, the Company closed a non-brokered private placement consisting of 400,000 common shares at a price of \$0.16 per share for gross proceeds of \$64,000.

On March 6, 2014, the Company closed a non-brokered private placement consisting of 676,668 common shares at a price of \$0.15 per share for gross proceeds of \$101,500.

c) Escrow shares:

At May 31, 2014, 500,000 (May 31, 2013: 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 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.

## Lions Bay Capital Inc.

Notes to the Consolidated Financial Statements  
Expressed in Canadian Dollars  
For the Years Ended May 31, 2014 and 2013

### 4. Share Capital – (cont'd)

#### d) Special Warrants Subscriptions Received

On March 4, 2014, the Company closed a non-brokered private placement financing (the "Special Warrants Financing") and issued 5,263,465 special warrants at a price of \$0.15 per special warrant, for aggregate gross proceeds of \$789,520. Each Special Warrant shall, subject to adjustment, entitle the holder to receive one Common share of the Company as presently constituted at no additional cost. The Special Warrants Financing was carried out in conjunction with Lions Bay's proposed Acquisition of Energreen, which will serve as Lions Bay's QT in accordance with the policies of the TSX Venture Exchange. The gross proceeds raised under the Special Warrants Financing are held in escrow under the terms of a Special Warrant Indenture dated March 4, 2014, between Lions Bay and Olympia Trust Company as Trustee, releasable to Lions Bay on completion of the Acquisition. Net proceeds from the Special Warrants Financing will be used by Lions Bay to fund the business of Energreen and for general corporate purposes. If the QT is not completed by October 31, 2014, the Special Warrants will expire and the subscriptions received will be refunded, and the financing costs will be expensed.

	<b>Number of Special Warrants</b>	<b>Value \$</b>
<b>Special warrants subscriptions received</b>		
Balance – May 31, 2013	-	-
Restricted cash – Gross proceeds	5,263,465	789,520
Financing costs		(37,487)
Balance – May 31, 2014	<u>5,263,465</u>	<u>752,033</u>

### 5. 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 Qualified Transaction will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted.

## Lions Bay Capital Inc.

Notes to the Consolidated Financial Statements  
Expressed in Canadian Dollars  
For the Years Ended May 31, 2014 and 2013

### 5. Stock Options – (cont'd)

The following table summarizes stock options:

	Number of options	Exercise price \$
Balance – May 31, 2013 and May 31, 2014	150,000	0.20

A total of 150,000 stock options have been granted, for which the fair value was estimated on the date of the grant using a Black-Scholes option pricing model and the following assumptions: share price of \$0.20, dividend yield of \$nil, expected volatility of 100%, risk-free interest rate of 3.14%, and an expected life of 10 years.

All options were granted prior to the Company establishing an adequate trading history to determine historical volatility, therefore historical volatility of companies of similar companies with adequate trading history was used to estimate expected volatility.

The following table summarizes contributed surplus:

	\$
Balance – May 31, 2014 and 2013	37,290

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	6.5	150,000	Nov 23, 2020

### 6. 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. There were no related party transactions during the years ended May 31, 2014 and 2013.

## Lions Bay Capital Inc.

Notes to the Consolidated Financial Statements  
Expressed in Canadian Dollars  
For the Years Ended May 31, 2014 and 2013

### 7. Income Taxes

Taxation in the Company's operational jurisdiction is calculated at the rate prevailing in its respective jurisdiction. There is no tax charge arising for the Company for the year in Canada. The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	2014 \$	2013 \$
Loss before tax per the accounts	(104,995)	(75,492)
Income taxed at local statutory rates - 26.00% (2013 - 25.42%)	(27,000)	(19,000)
Effect of change in statutory rate and other	-	(3,000)
Under provision in previous year	-	(2,000)
Share issuance cost	(13,000)	(2,000)
Change in unrecognized deferred tax assets	40,000	26,000
Income tax expense/(recovery)	-	-

The Canadian Federal corporate tax rate remained at 15.00% and effective April 1, 2013 the British Columbia provincial tax rate increased from 10.00% to 11.00%.

#### Deferred Tax Assets and Liabilities

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at May 31, 2014 and 2013 are summarized as follows:

	2014 \$	2013 \$
Non-capital losses carried forward	120,000	84,000
Undeducted financing costs	16,000	12,000
Unrecognized deferred tax assets	(136,000)	(96,000)
	-	-

As at May 31, 2014, the Company has estimated Canadian non-capital losses for income tax purposes that may be carried forward to reduce taxable income derived in future years, as summarized below:

Year of Expiry	Taxable Losses \$
2030	11,000
2031	59,000
2032	155,000
2033	98,000
2034	137,000
Total	460,000

**7. Income Taxes – (cont'd)**

The potential benefits of these carry-forward non-capital losses, and deductible temporary differences has not been recognized in these consolidated financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

**9. Capital Management**

The Company's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Company is not subject to any externally imposed capital requirements other than as discussed above in Notes 1 and 4. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To manage the capital structure, the Company may issue new shares. There was no change in the Company's capital management process during the year.

**10. Financial Instruments**

*Fair Values*

The Company's financial instruments consist of cash and trade and other payables. The carrying amounts of these financial instruments approximate their fair values due to the relatively short-term maturity of these instruments.

*Credit Risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with high credit quality financial institutions. The carrying amount of cash represents the maximum exposure to credit risk.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's current obligations consist of accounts payable, which are all due within 30 days.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

**11. Subsequent Event**

On June 27, 2014, the Company borrowed \$61,000 under a loan agreement with Energreen, where the outstanding principle accrues interest at 10% per annum, and is repayable on or before October 31, 2014.

## APPENDIX 2

### PAN ANDEAN CAPITAL PTY LTD. (the “Company”)

#### INVESTMENT POLICY

##### Investment Objectives

The Company’s investment objectives are to seek:

- An above average return on investment, primarily in the resource, energy and resource related technology sectors.
- To use investment income to fund other investments opportunities with attractive risk-to-reward profile.

The Company does not anticipate the declaration of dividends to shareholders during its initial stages and plans to reinvest the profits of its investments to further the growth and development of the Company’s investment portfolio.

##### Investment Strategy

The Company’s strategy is to adopt a flexible approach to its investments. This approach is demonstrated in the Company’s proposed investment strategy set out below.

Investment Sector:	Resource, energy and resource related technology sectors. All commodities that can be classified as resources may be considered for investment purposes, including, but not limited to, minerals, metals, petroleum, forestry and industries that derive their value from natural resources, such as power generation, and technologies that are used in the natural resources sector such as drilling and surveillance. The Company may invest outside the resource and energy industry as the circumstances may warrant.
Investment Types:	Equity, debt, royalties, income and commodity streams, derivatives and any other investment structures or instruments that could be acquired or created.
Jurisdictions:	Global but with a focus on jurisdictions with a stable rule of law
Investment Size:	The Company will hold stakes of no more than 19.9% investment in any one issuer in most instances.
Timeline:	The objective is to hold investments for long periods of time. However, circumstances may cause the Company to reconsider its investment time horizon. In addition, certain investments will be short term in nature.
Investment Targets:	Direct project investments either through direct equity in a project, or through a derivative interest such as a royalty, stream or other derivative facility.  Investments in public or private corporations, partnership or other legal entities which own, or propose to own, natural resource assets or derivatives of natural resource assets.  The Company intends to limit its investments in non-publicly traded companies to 25% of its overall portfolio.
Investment Review:	Will seek to maintain the ability to actively review and revisit all of investments on an ongoing basis.
Liquidity:	Will evaluate the liquidity of investments and seek to realize value from same in a prudent and orderly fashion.

### **Composition of Investment Portfolio**

The nature and timing of the Company's investments will depend, in part, on the investment opportunities identified and available to the Company.

The composition of its investment portfolio will vary over time depending on its assessment of a number of factors including the performance of financial markets and credit risk.

**APPENDIX 3**

**PAN ANDEAN CAPITAL PTY LTD.**

**FINANCIAL STATEMENTS**

# **Pan Andean Capital Pty Ltd**

**ACN 006 740 352**

**General Purpose Financial Statements**

**For the interim period ended 31 March 2017**

# Pan Andean Capital Pty Ltd

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**Pan Andean Capital Pty Ltd**  
**ACN 006 740 352**

## **Directors' Report**

The director presents her report on Pan Andean Capital Pty Ltd ("the Company") for the interim period for the nine months ended 31 March 2017.

### **Directors**

The name of the sole director in office at any time during or since the end of the year is Wanda Gaye Newton.

The director has been in office since the start of the financial year to the date of this report.

### **Review of Operations**

For the interim period ending 31 March 2017, Pan Andean Capital Pty Ltd made a profit of \$66,820 (interim period ended 31 March 16 loss of \$55,651) after providing for income tax as well as an unrealised after-tax gain of \$349,774 (March 2016 loss: \$383,562) relating to the company's financial assets.

A review of the operations of Pan Andean Capital Pty Ltd during the interim financial period shows that the company reinvested in and disposed of some of its investments in KALiNA Power Limited.

Pan Andean Capital Pty Ltd also purchased shares in 4 other companies during the year. The results for the year reflect the gain on this disposal and the movement in the market value of the remaining investment assets (net of holding costs).

### **Significant Changes in the State of Affairs**

No significant changes in the company's state of affairs occurred during the interim financial period.

### **Principal activities**

The principal activity of Pan Andean Capital Pty Ltd during the interim financial period was investing in public companies.

No significant changes in the nature of these activities occurred during the interim financial period.

### **Events Subsequent to the End of the Reporting Period**

No matters or circumstances, aside from the results of the transaction noted below, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### **Likely Developments and Expected Results of Operations**

Likely developments in the operations of Pan Andean Capital Pty Ltd in future financial years include a proposed transaction whereby Pan Andean Capital Pty Ltd is the target company in a takeover by Lions Bay Capital Inc., a company incorporated in Canada. Pan Andean Capital Pty Ltd will subsequently become a wholly owned subsidiary of a publicly listed entity on the TSX Venture Exchange.

**Dividends**

No dividends were paid to company's shareholders during the interim financial period.

**Options**

10,000,000 options were issued to Twenty Second Yeneb Pty Limited on 1 February 2017 to subscribe for fully paid ordinary shares in Pan Andean Capital Pty Ltd. The options have an exercise price of \$0.05 and expire 1 February 2020 (Note 10).

**Directors' Interests in Shares of the Company or Related Bodies Corporate**

The director of Pan Andean Capital Pty Ltd does not hold a direct shareholding in the company or in a related body corporate.

**Indemnification of Officers**

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor in Pan Andean Capital Pty Ltd.

**Proceedings on Behalf of the Company**

No person has applied for leave of Court to bring proceedings on behalf of Pan Andean Capital Pty Ltd or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

The company was not a party to any such proceedings during the year.

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under Section 307c of the Corporations Act 2001 is set out on page 5.

The Directors' Report is signed in accordance with a resolution of the sole director:

**ORIGINAL SIGNED**

\_\_\_\_\_  
Wanda Gaye Newton  
Director

Dated this 28th day of September 2017



CFMC Assurance

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001  
TO THE DIRECTORS OF PAN ANDEAN CAPITAL PTY LTD**

In relation to our audit of the interim financial report of Pan Andean Capital Pty Ltd, I declare that, to the best of my knowledge and belief, during the nine months ended 31 March 2017 there have been

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit

CFMC Assurance Pty Ltd

**CFMC Assurance Pty Ltd**

**ORIGINAL SIGNED**

**Gregory Hudswell**

Director

Dated this 27th day of September, 2017

cfmc assurance pty ltd

ACN 134 723 062

Liability limited by a scheme approved under Professional Standards Legislation

Level 15, 330 St Kilda Road Melbourne VIC 3004

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e: enquiries@cfmc.com.au www.cfmc.com.au

**GGI**  
INDEPENDENT MEMBER

Pan Andean Capital Pty Ltd  
ACN 006 740 352

## Statement of Profit or Loss and Other Comprehensive Income

For the interim period ended 31 March 2017

		9 months to 31 March 2017 \$	3 months to 31 March 2017	9 months to 31 March 2016 \$	3 months to 31 March 2016
Revenue	2a	249,510	(24,288)	-	-
Other income	2b	8,821	8,811	-	-
Finance costs	3a	(100,704)	(48,308)	(79,501)	(26,500)
Other expenses	3b	(61,773)	(61,770)	(1)	(1)
Foreign exchange loss		(397)	(397)	-	-
Profit/(loss) before income tax		95,458	(125,952)	(79,502)	(26,501)
Income tax (expense)/benefit	4	(28,637)	37,786	23,850	7,950
<b>Profit/(loss) for the year</b>		<b>66,820</b>	<b>(88,166)</b>	<b>(55,651)</b>	<b>(18,550)</b>
<b>Other comprehensive income for the year:</b>					
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>					
Fair value gain/(loss) on available for sale assets, net of tax		349,774	(215,853)	383,562	843,835
<b>Total comprehensive income/(loss) for the year</b>		<b>416,594</b>	<b>(304,019)</b>	<b>327,910</b>	<b>825,285</b>
Basic earnings/(loss) per share	10a	33,410	(44,083)	(27,826)	(9,275)
Diluted earnings/(loss) per share	10b	0.007 cents	(0.009 cents)	(27,826)	(9,275)

**Pan Andean Capital Pty Ltd**  
**ACN 006 740 352**

## Statement of Financial Position

as at 31 March 2017

	Note	31 March 2017 \$	30 June 2016 \$
<b>Current assets</b>			
Cash and cash equivalents	5	320,852	52
Financial assets	6	1,934,209	526,027
Derivative financial instruments	7	24,975	-
<b>Total current assets</b>		<u>2,280,036</u>	<u>526,079</u>
<b>Non-current assets</b>			
Financial assets	6	124,117	-
Deferred tax assets	4	36,285	213,192
<b>Total non-current assets</b>		<u>160,402</u>	<u>213,192</u>
<b>Total assets</b>		<u>2,440,437</u>	<u>739,271</u>
<b>Current liabilities</b>			
Borrowings	8	2,519,654	1,236,717
<b>Total current liabilities</b>		<u>2,519,654</u>	<u>1,236,717</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	4	1,634	-
<b>Total non-current liabilities</b>		<u>1,634</u>	<u>-</u>
<b>Total liabilities</b>		<u>2,521,288</u>	<u>1,236,717</u>
<b>Net assets/(deficiency)</b>		<u>(80,852)</u>	<u>(497,446)</u>
<b>Equity</b>			
Issued capital	9	2	2
Reserves		(49,130)	(398,904)
Accumulated losses		(31,724)	(98,544)
<b>Total equity</b>		<u>(80,852)</u>	<u>(497,446)</u>

**Pan Andean Capital Pty Ltd**  
**ACN 006 740 352**

## Statement of Changes in Equity

For the interim period ended 31 March 2017

	Share Capital \$	Financial Assets Reserve \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2015</b>	2	(153,425)	(24,344)	<b>(177,767)</b>
Loss for the year	-	-	(79,501)	<b>(79,501)</b>
Other comprehensive income/(loss) for the year	-	(383,562)	-	<b>(383,562)</b>
<b>Balance at 31 March 2016</b>	<b>2</b>	<b>(536,987)</b>	<b>(103,845)</b>	<b>(640,829)</b>
<b>Balance at 1 July 2016</b>	2	(398,904)	(98,544)	<b>(497,446)</b>
Profit for the year	-	-	66,820	<b>66,820</b>
Other comprehensive income for the year	-	349,774	-	<b>349,774</b>
<b>Balance at 31 March 2017</b>	<b>2</b>	<b>(49,130)</b>	<b>(31,724)</b>	<b>(80,852)</b>

**Pan Andean Capital Pty Ltd**  
**ACN 006 740 352**

## Statement of Cash Flows

For the interim period ended 31 March 2017

		Nine months to 31 March 2017	Nine months to 31 March 2016
Note	\$	\$	\$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(90,585)	-
Net cash used in operating activities	15	<u>(90,585)</u>	<u>-</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		616,085	-
Interest Income		380	-
Purchase of options		(25,372)	-
Purchase of investments		(110,838)	-
Net cash provided by investing activities		<u>480,255</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Proceeds from related parties		-	50
Loans made to other entities		(68,870)	-
Net cash used in financing activities		<u>(68,870)</u>	<u>50</u>
Net change in cash and cash equivalents held		320,800	50
Cash and cash equivalents at beginning of the interim financial period		52	2
Cash and cash equivalents at end of the interim financial period	5	<u><u>320,852</u></u>	<u><u>52</u></u>

**Pan Andean Capital Pty Ltd**  
**ACN 006 740 352**

## **Notes to the financial statements**

### **For the interim period ended 31 March 2017**

#### **1 Statement of significant accounting policies**

##### **General Information and Statement of Compliance**

This financial report includes the financial statements and notes of Pan Andean Capital Pty Ltd ('the company'), a company limited by shares, incorporated in Australia.

The general purpose financial statements of Pan Andean Capital Pty Ltd have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, Canadian GAAP applicable to publicly accountable enterprises, and other authoritative pronouncements of the Australian Accounting Standards Board, and IAS 34 *Interim Financial Reporting*. Compliance with Australian Accounting Standards and Canadian GAAP results in full compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on the 19th of September 2017 by the director of the company.

##### **Going Concern**

The company reported an after-tax profit of \$66,820 and a net asset deficiency of \$80,852 for the nine months to 31 March 2017. The director has reviewed both the operational and financial performance to date and forecasts of the company and is satisfied that the going concern basis of accounting is appropriate. Pan Andean Capital Pty Ltd's major assets are investments in shares of both listed and unlisted entities.

The operations of the company are dependent on financial market risk factors that have the potential to influence the operating and financial performance of the company and can impact on the value of the investment in the future.

Due to the existence of an inherent uncertainty associated with the market risk the entity may not be able to realise its assets and discharge its liabilities in the ordinary course of business and at the amounts stated in the financial report.

**Pan Andean Capital Pty Ltd**  
**ACN 006 740 352**

**Notes to the financial statements**  
**For the interim period ended 31 March 2017**

**Accounting policies**

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the company's last annual financial statement for the year ended 30 June 2016. They have been repeated below for reference purposes.

**Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the financial year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit and loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**Pan Andean Capital Pty Ltd**  
**ACN 006 740 352**

**Notes to the financial statements**  
**For the interim period ended 31 March 2017**

**Financial Instruments**

Initial recognition and measurement:

Financial assets and financial liabilities are initially recognised at fair value adjusted for transaction costs when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset.

Classification and subsequent measurement of financial assets:

*Loans*

Loans are financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost.

*Available for sale ('AFS') financial assets*

AFS financial assets, including listed shares, are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the Financial Asset Reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss is reclassified from the equity reserve to profit or loss.

*Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions or by reference to similar instruments.

**Cash and Cash Equivalents**

Cash and cash equivalents comprises cash on hand and deposits held at-call with banks.

**Revenue**

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST) where applicable.

**Pan Andean Capital Pty Ltd**  
**ACN 006 740 352**

**Notes to the financial statements**  
**For the interim period ended 31 March 2017**

**Reserves**

*Financial Assets Reserve*

The financial assets reserve records movements in fair value of financial assets classified as available-for-sale.

**Critical accounting estimates and judgments**

The company evaluates estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and from the company. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*a) Significant accounting judgments - Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only when management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies

*b) Significant accounting estimates - Fair Value of Financial Instruments*

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available.

For equity investments, management has used the relevant quoted price from active market, which we have estimated to be representative of fair value of year end. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 16(e)).

**Foreign Currency Transactions and Balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent the underlying gain or loss is directly recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

**Pan Andean Capital Pty Ltd**  
**ACN 006 740 352**

**Notes to the financial statements**  
**For the interim period ended 31 March 2017**

	Nine months to 31 March 2017	Nine months to 31 March 2016
	\$	\$
<b>Revenue</b>		
2a Net capital gain from the sale of investments	<u>249,510</u>	-
<b>Other income</b>		
2b Interest revenue	<u>8,821</u>	-
<b>3a Finance costs</b>		
Interest expense on financial liabilities	<u>100,704</u>	79,501
<b>3b Other expenses</b>		
Other expenses includes:		
Auditors remuneration - CFMC Assurance Pty Ltd	<u>11,000</u>	-
<b>4 Income tax expense</b>		
The components of tax expense comprise:		
- Current year	28,637	-
- Deferred tax benefit	-	(23,850)
Total income tax expense	<u>28,637</u>	<u>(23,850)</u>
<b>The prima facie tax expense (benefit) on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:</b>		
Accounting profit / (loss) before income tax	<u>95,458</u>	(79,502)
The prima facie tax expense (benefit) on profit/(loss) from ordinary activities before income tax at 30% (2016: 30%)	<u>28,637</u>	<u>(23,850)</u>
The effective tax rate for the interim period is 0% (2016: 0%)		
	Nine months to 31 March 2017	Twelve months to 30 June 2016
	\$	\$
<b>Assets:</b>		
<b>Non-current assets</b>		
Deferred tax assets relate to timing differences on:		
- Revaluation of financial assets	22,689	170,959
- Tax losses to be carried forward	13,596	42,233
Total deferred tax assets	<u>36,285</u>	<u>213,192</u>
<b>Liabilities:</b>		
<b>Non-current</b>		
Deferred tax liabilities relate to timing differences on:		
- Revaluation of financial assets	1,634	-
Total deferred tax liabilities	<u>1,634</u>	-



**Pan Andean Capital Pty Ltd**  
**ACN 006 740 352**

**Notes to the financial statements**  
**For the interim period ended 31 March 2017**

	Nine months to 31 March 2017	Twelve months to 30 June 2016
	\$	\$
<b>9 Issued Capital</b>		
2 fully paid ordinary shares	2	2
	<u>2</u>	<u>2</u>

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Options:

10,000,000 options were issued to Twenty Second Yeneb Pty Limited on 1 February 2017 to subscribe for fully paid ordinary shares in Pan Andean Capital Pty Ltd. The options have an exercise price of \$0.05 and expire 1 February 2020. No options have been exercised during the interim period ending 31 March 2017.

	Nine months to 31 March 2017	Nine months to 31 March 2016
	\$	\$
<b>10 Earnings Per Share</b>		
Both the basic and diluted earnings per share have been calculated using the profit (loss) attributable to shareholders of the Company as the numerator (ie no adjustments to profit were necessary at March 2017 or March 2016).		
<b>Overall operations</b>		
<b>10a</b> Basic earnings/(loss) per share	33,410	(27,826)
<b>10b</b> Diluted earnings/(loss) per share	0.007 cents	(27,826)
Weighted average number of ordinary shares used in the calculation of Basic Earnings Per Share	2	2
Weighted average number of dilutive options and converting preference shares on issue	10,000,000	-
Earnings used in the calculation of Basic / Diluted Earnings/(Loss) Per Share	66,820	(55,651)

**11 Sole Operating Segment**

Pan Andean Capital Pty Ltd has one operating segment: investments in public or unlisted companies.

Accordingly, revenue and results are fully disclosed in the statement of profit or loss and other comprehensive income for this aggregated sole operating segment.

The statement of financial position discloses the sole operating segment assets and liabilities which are held primarily within Australia.

**Pan Andean Capital Pty Ltd**  
**ACN 006 740 352**

**Notes to the financial statements**  
**For the interim period ended 31 March 2017**

**12 Contingent liabilities**

There were no contingent liabilities expected to become payable as at the date of this report.

**13 Events after the reporting date**

No matters or circumstances have arisen since the end of the interim financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the company in future financial years.

**14 Related party transactions**

**Related Parties**

The Company's main related parties are as follows:

**14a Key management personnel**

Any persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 18.

**14b Other related parties**

Other related parties include immediate family members of key personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate families.

Nine months to 31 March 2017	Nine months to 31 March 2016
\$	\$

**14c Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

i. Purchases of goods and services

Newton Investment Trust, a Trust associated with a shareholder of Pan Andean Capital Pty Ltd provided consulting services to the company during the nine months to 31 March 2017.

36,850	-
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Consulting fees paid to related entities are at amounts mutually agreed between those parties and the company based on services provided.

ii. Trade and other payables

Key management personnel - Loan advances from Directors

50	50
----	----

The Director provided a loan of \$50 on an interest free at call basis.

**Pan Andean Capital Pty Ltd**  
**ACN 006 740 352**

**Notes to the financial statements**  
**For the interim period ended 31 March 2017**

	Nine months to 31 March 2017	Nine months to 31 March 2016
	\$	\$
<b>15 Cash Flow Information</b>		
Profit after tax	66,820	(55,651)
<i>Non Cash flows in profit:</i>		
Net gain on disposal of investments	(249,510)	-
Unrealised forex loss	397	-
Interest income	(8,821)	-
<i>Changes in assets and liabilities:</i>		
Movement in trade and other receivables	(175)	-
Movement in trade and other payables	100,704	79,500
Movement in tax provision	-	(23,850)
<b>Net cash from operating activities</b>	<b>(90,585)</b>	<b>-</b>

	Nine months to 31 March 2017	Twelve months to 30 June 2016
--	------------------------------------	-------------------------------------

**16 Financial Risk Management**

The company's financial instruments consist mainly of deposits with banks, equity investments and accounts payable.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies in Note 1 to these financial statements, are as follows:

	Note		
<b>Financial assets at fair value</b>			
Cash and cash equivalents	5	320,852	52
Derivatives held at fair value	7	24,975	-
Available-for-sale financial assets:			
- equity investments at fair value through other comprehensive income	6	1,934,209	526,027
Loan receivable held at amortised cost			
- current	6	58,283	-
- non-current	6	122,780	-
<b>Total financial assets</b>		<b>2,461,098</b>	<b>526,079</b>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost:			
- borrowings	8	2,519,654	1,236,717
<b>Total financial liabilities</b>		<b>2,519,654</b>	<b>1,236,717</b>

The risks associated with material financial instruments are detailed below.

**Pan Andean Capital Pty Ltd**  
**ACN 006 740 352**

**Notes to the financial statements**  
**For the interim period ended 31 March 2017**

**(a) Interest rate risk management**

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

Pan Andean Capital Pty Ltd has minimised its interest rate risk exposures on long-term financing by ensuring its loans are secured on a fixed interest rate of 10% per annum.

**(b) Foreign currency risk management**

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates. The company's exposure to foreign currency exchange risk arises from holding US dollar and Canadian dollar investments.

Foreign currency risk sensitivity:

If foreign exchange rates were to increase/decrease by 10% from rates used to determine values as at reporting date then the impact on profit due to movements in unrealised foreign currency exchange gain on foreign currency investments are as follows:

	<b>Foreign currency movement</b>	<b>Nine months to 31 March 2017</b>	<b>Nine months to 31 March 2016</b>
		<b>\$</b>	<b>\$</b>
Impact on profit and equity after tax	+/- 10%	+/- 40,289	-

**(c) Credit risk management**

Credit risk is the risk that a counterparty fails to discharge an obligation to Pan Andean Capital Pty Ltd.

Pan Andean Capital Pty Ltd has limited exposure to credit risk as it has made no loans to any other parties during the year.

**(d) Liquidity risk management**

Liquidity risk is the risk that Pan Andean Capital Pty Ltd might be unable to meet its obligations as they fall due.

The company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities.

**Pan Andean Capital Pty Ltd**  
**ACN 006 740 352**

**Notes to the financial statements**  
**For the interim period ended 31 March 2017**

**(e) Net fair values of financial assets and liabilities**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three (3) levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 March 2017:

	Level 1	Level 2	Level 3	TOTAL
<b>Financial Assets</b>				
Listed securities	1,868,646	1	-	1,868,647
Cash and cash equivalents	320,852	-	-	320,852
Options	-	-	24,975	24,975
Other financial assets	7,279	-	-	7,279
Loans	-	122,780	-	122,780
	<b>2,196,777</b>	<b>122,781</b>	<b>24,975</b>	<b>2,344,532</b>
<b>Financial Liabilities</b>				
Loans	-	(1,425,050)	-	(1,425,050)
Sundry creditors	-	(817,234)	-	(817,234)
Accrued interest	-	(277,370)	-	(277,370)
	<b>-</b>	<b>(2,519,654)</b>	<b>-</b>	<b>(2,519,654)</b>

**(f) Other price risk sensitivity**

Pan Andean Capital Pty Ltd is exposed to other price risk in respect of its equity securities in public companies.

In order to minimise volatility in share prices affecting profit and loss, the company has classified equity investments as available for sale. The classification of equity investments as available for sale ensures that any movements in fair value are recognised through reserves and have no impact on profit or loss for the period. Pan Andean Capital Pty Ltd takes a long term view to its equity investments and only considers the sale of equity investments when advantageous.

**17 Capital Management**

Management controls the capital of the company in order to ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

**18 Key Management Personnel Compensation**

The totals of remuneration paid to key management personnel (KMP) of the Group during the year are as follows:

Key management personnel compensation	<u><u>5,000</u></u>	-
---------------------------------------	---------------------	---

Pan Andean Capital Pty Ltd  
ACN 006 740 352

## Directors' Declaration

In accordance with a resolution of the director of Pan Andean Capital Pty Ltd, the director of the company declares that:

- 1 The financial statements and notes, as set out on pages 6 to 20, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards and Canadian GAAP applicable to publicly accountable enterprises which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards.
  - b. give a true and fair view of the financial position as at 31 March 2017 and of the performance for the year ended on that date of the company.
- 2 In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

**ORIGINAL SIGNED**

---

Wanda Gaye Newton  
Director

Dated this 28th day of September 2017



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAN ANDEAN CAPITAL PTY LTD

### Opinion

We have audited the financial report of Pan Andean Capital Pty Ltd (the company), which comprises the statement of financial position as at 31 March 2017, the statement of profit or loss and other comprehensive income statement of comprehensive income, statement of changes in equity, and statement of cash flows for the nine and three months then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of Pan Andean Capital Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated entity's financial position as at 31 March 2017 and of its performance for the nine and three months ended on that date; and
- complying with Australian Accounting Standards and Canadian GAAP applicable to publicly accountable enterprises which, as stated in accounting policy Note 1 to the financial statement, constitutes compliance with International Financial Reporting Standards and complying with the Corporations Regulations 2001.

### Responsibilities of the Directors' for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001*, and is appropriate to meet the needs of the members. The director's responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian and Canadian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

cfmc assurance pty ltd  
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INDEPENDENT MEMBER



As part of an audit in accordance with the Australian and Canadian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

CFMC Assurance Pty Ltd

**CFMC Assurance Pty Ltd**

**ORIGINAL SIGNED**

**Gregory A. Hudswell**

Director

Level 15

390 St Kilda Road

MELBOURNE, VIC 3004

Dated this 28th day of September 2017

FINALS

# **Pan Andean Capital Pty Ltd**

**ACN 006 740 352**

**General Purpose Financial Statements**

**For the year ended 30 June 2016**

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**Pan Andean Capital Pty Ltd**  
**ACN 006 740 352**

## **Directors' Report**

The director presents her report on Pan Andean Capital Pty Ltd ("the Company") for the financial year ended 30 June 2016.

### **Directors**

The name of the sole director in office at any time during or since the end of the year is Wanda Gaye Newton.

The director has been in office since the start of the financial year to the date of this Report.

### **Review of Operations and Financial Results**

For the 2016 financial year, Pan Andean Capital Pty Ltd made a loss of \$74,200 (2015: \$24,344) after providing for income tax, as well as an unrealised after-tax loss of \$245,480 (2015 loss: \$153,425) relating to the company's financial assets.

A review of the operations of Pan Andean Capital Pty Ltd during the financial year show that the company invested in a single company, KALiNA Power Limited. The result for the year primarily reflects the movement in the fair value of this asset (net of holding costs).

### **Significant Changes in the State of Affairs and Principal Activities**

The principal activity of Pan Andean Capital Pty Ltd during the financial year was investing in listed securities.

No significant changes in the nature of these activities occurred during the financial year.

### **Events Subsequent to the End of the Reporting Period**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### **Likely Developments and Expected Results of Operations**

Likely developments in the operations of Pan Andean Capital Pty Ltd in future financial years include a proposed transaction whereby Pan Andean Capital Pty Ltd is the target company in a takeover by Lions Bay Capital Inc., a company incorporated in Canada. Should this transaction occur, Pan Andean Capital Pty Ltd would become a wholly owned subsidiary of publicly listed entity on the TSX Venture Exchange.

### **Dividends**

No dividends were paid to company's shareholders during the year.

**Options**

No option over issued shares or interests in Pan Andean Capital Pty Ltd were granted during or since the end of the 2016 financial year and there were no options outstanding at the date of this report.

**Directors' Interests in Shares of the Company or Related Bodies Corporate**

The director of Pan Andean Capital Pty Ltd does not hold a direct shareholding in the company or in a related body corporate.

**Indemnification of Officers**

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor in Pan Andean Capital Pty Ltd.

**Proceedings on Behalf of the Company**

No person has applied for leave of Court to bring proceedings on behalf of Pan Andean Capital Pty Ltd or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

The company was not a party to any such proceedings during the year.

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under Section 307c of the Corporations Act 2001 is set out on page 5.

This Director's Report is signed in accordance with a resolution of the sole director:

**ORIGINAL SIGNED**

---

Wanda Gaye Newton  
Director

Dated this 28th day of September 2017



CFMC Assurance

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001  
TO THE DIRECTORS OF PAN ANDEAN CAPITAL PTY LTD**

In relation to our audit of the interim financial report of Pan Andean Capital Pty Ltd, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit

CFMC Assurance Pty Ltd

*Handwritten signature*

**CFMC Assurance Pty Ltd**

**ORIGINAL SIGNED**

**Gregory Hudswell**  
Director

Dated this 27th day of September, 2017

cfmc assurance pty ltd  
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## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Revenue	2	-	35,890
Finance costs	3	(106,000)	(70,667)
Loss before income tax		<u>(106,000)</u>	<u>(34,777)</u>
Income tax benefit	4	31,800	10,433
<b>Loss for the year</b>		<u><b>(74,200)</b></u>	<u><b>(24,344)</b></u>
<b>Other comprehensive loss for the year:</b>			
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>			
Fair value loss on available for sale assets, net of tax		<u>(245,479)</u>	<u>(153,425)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(319,679)</b></u>	<u><b>(177,769)</b></u>
Basic / diluted earning/(loss) per share	9	<b>(37,100)</b>	<b>(12,172)</b>

## Statement of Financial Position

as at 30 June 2016

	Note	2016 \$	2015 \$
<b>Current assets</b>			
Cash and cash equivalents	5	52	2
Financial assets	6	526,027	876,712
<b>Total current assets</b>		<b>526,079</b>	<b>876,714</b>
<b>Non-current assets</b>			
Deferred tax assets	4	213,192	76,186
<b>Total non-current assets</b>		<b>213,192</b>	<b>76,186</b>
<b>Total assets</b>		<b>739,271</b>	<b>952,900</b>
<b>Current liabilities</b>			
Borrowings	7	1,236,717	1,130,667
<b>Total current liabilities</b>		<b>1,236,717</b>	<b>1,130,667</b>
<b>Total liabilities</b>		<b>1,236,717</b>	<b>1,130,667</b>
<b>Net assets/(deficiency)</b>		<b>(497,446)</b>	<b>(177,767)</b>
<b>Equity</b>			
Issued capital	8	2	2
Reserves		(398,904)	(153,425)
Accumulated losses		(98,545)	(24,344)
<b>Total equity</b>		<b>(497,446)</b>	<b>(177,767)</b>

## Statement of Changes in Equity

For the year ended 30 June 2016

	Share Capital \$	Financial Assets Reserve \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2014</b>	2	-	-	2
Loss for the year	-	-	(24,344)	(24,344)
Other comprehensive loss for the year	-	(153,425)	-	(153,425)
<b>Balance at 30 June 2015</b>	<b>2</b>	<b>(153,425)</b>	<b>(24,344)</b>	<b>(177,767)</b>
<b>Balance at 1 July 2015</b>	2	(153,425)	(24,344)	(177,767)
Loss for the year	-	-	(74,200)	(74,200)
Other comprehensive loss for the year	-	(245,479)	-	(245,479)
<b>Balance at 30 June 2016</b>	<b>2</b>	<b>(398,904)</b>	<b>(98,544)</b>	<b>(497,446)</b>

## Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		-	-
Payments to suppliers and employees		-	-
Net cash provided by operating activities	14	-	-
<b>Cash flows from investing activities</b>			
Purchase of investments		-	(1,060,000)
Net cash used in investing activities		-	(1,060,000)
<b>Cash flows from financing activities</b>			
Proceeds from related parties		50	-
Proceeds from loan		-	1,060,000
Net cash provided by financing activities		50	1,060,000
Net change in cash and cash equivalents held		50	-
Cash and cash equivalents at beginning of financial year		2	2
Cash and cash equivalents at end of financial year	5	52	2

## **Notes to the financial statements**

### **For the year ended 30 June 2016**

#### **1 Statement of significant accounting policies**

##### **General Information and Statement of Compliance**

This financial report includes the financial statements and notes of Pan Andean Capital Pty Ltd, a company limited by shares, incorporated in Australia.

The general purpose financial statements of Pan Andean Capital Pty Ltd have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, unless otherwise stated in the notes. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on the 21st August 2017 by the director of Pan Andean Capital Pty Ltd.

##### **Going Concern**

The company reported an after-tax loss of \$74,200 and a net asset deficiency of \$497,446 as at 30 June 2016. The director has reviewed both the operational and financial performance to date and forecasts of the company and is satisfied that the going concern basis of accounting is appropriate. Pan Andean Capital Pty Ltd's major asset is an investment in shares of a listed entity.

The operations of the company are dependent on financial market risk factors that have the potential to influence the operating and financial performance of the company and can impact on the value of the investment in the future.

Due to the existence of an inherent uncertainty associated with the market risk, the entity may not be able to realise its assets and discharge its liabilities in the ordinary course of business and at the amounts stated in the financial report.

## **Notes to the financial statements**

### **For the year ended 30 June 2016**

#### **Accounting policies**

##### **Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the financial year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit and loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

## **Notes to the financial statements**

### **For the year ended 30 June 2016**

#### **Financial Instruments**

Initial recognition and measurement:

Financial assets and financial liabilities are initially recognised at fair value adjusted for transaction costs when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset.

Classification and subsequent measurement of financial assets:

##### *Loans*

Loans are financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost.

##### *Available for sale ('AFS') financial assets*

AFS financial assets, including listed shares, are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the Financial Asset Reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss is reclassified from the reserve to profit or loss.

##### *Fair value*

Fair value is determined based on current bid prices for all quoted investments.

#### **Cash and Cash Equivalents**

Cash and cash equivalents comprises cash on hand and deposits held at-call with banks.

#### **Revenue**

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST) where applicable.

## **Notes to the financial statements**

### **For the year ended 30 June 2016**

#### **Reserves**

##### *Financial Assets Reserve*

The financial assets reserve records movements in fair value of financial assets classified as available-for-sale.

#### **Critical accounting estimates and judgments**

The company evaluates estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and from the company. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future

##### *a) Significant accounting judgments - Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only when management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies

##### *b) Significant accounting estimates - Fair Value of Financial Instruments*

For equity investments, management has used the relevant quoted price from active market, which represents fair value at year end. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 14(e)).

**Notes to the financial statements**  
**For the year ended 30 June 2016**

	2016	2015
	\$	\$
<b>2 Revenue</b>		
Interest revenue	-	35,890
<b>Total revenue from operating activities</b>	<u>-</u>	<u>35,890</u>
<b>3 Expenses</b>		
<b>(i) Finance costs</b>		
Interest expense on financial liabilities	106,000	70,667
<b>(ii) Key Management Personnel Compensation</b>		
Key Management Personnel Compensation	-	-
	<u>106,000</u>	<u>70,667</u>
<b>4 Income tax expense</b>		
The components of tax benefit comprise:		
- Deferred Tax Benefit	(31,800)	(10,433)
Total income tax benefit	<u>(31,800)</u>	<u>(10,433)</u>
<b>The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to income tax as follows:</b>		
Accounting loss before income tax	<u>(106,000)</u>	<u>(34,777)</u>
The prima facie tax on profit/(loss) from ordinary activities before income tax at 30% (2014: 30%)	<u>(31,800)</u>	<u>(10,433)</u>
<b>Assets:</b>		
<b>Non-current</b>		
Deferred tax assets relate to timing differences on:		
- Revaluation of financial assets	170,959	65,753
- Tax losses to be carried forward	42,233	10,433
Total deferred tax assets	<u>213,192</u>	<u>76,186</u>
<b>5 Cash and cash equivalents</b>		
Cash on hand	2	2
Cash at bank	50	-
	<u>52</u>	<u>2</u>
<b>6 Financial assets</b>		
<b>Current</b>		
Available-for-sale financial assets at fair value:		
Shares in listed entity	526,027	876,712
	<u>526,027</u>	<u>876,712</u>

The equity instruments are denominated in \$AUD and are publicly traded in Australia.

**Notes to the financial statements**  
**For the year ended 30 June 2016**

	2016	2015
	\$	\$
<b>7 Borrowings</b>		
<b>Current</b>		
Amounts due to related parties	50	-
Amounts due to other parties	1,060,000	1,060,000
Accrued interest	176,667	70,667
	<u>1,236,717</u>	<u>1,130,667</u>

The lender had not activated its rights to enter into a secured charge over the shares in a listed entity owned by the company or receive full title to the shares to settle the loan and the related interest.

<b>8 Issued Capital</b>		
2 fully paid ordinary shares	2	2
	<u>2</u>	<u>2</u>

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**9 Earnings Per Share**

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Company as the numerator (ie no adjustments were necessary in 2016 or 2015).

<b>Overall operations</b>		
Basic / diluted earnings/(loss) per share	(37,100)	(12,172)
Weighted average number of ordinary shares used in the calculation of Basic Earnings Per Share	2	2
Weighted average number of dilutive options and converting preference shares on issue	-	-
Earnings used in the calculation of Basic / Diluted Earnings/(Loss) Per Share	(74,200)	(24,344)

**10 Sole Operating Segment**

Pan Andean Capital Pty Ltd has one operating segment: investments in listed securities.

Accordingly, revenue and results are fully disclosed in the statement of profit or loss and other comprehensive income for this aggregated sole operating segment.

The statement of financial position discloses the sole operating segment assets and liabilities which are held within Australia.

## Notes to the financial statements

### For the year ended 30 June 2016

#### 11 Contingent liabilities

There were no contingent liabilities as at 30 June 2016 (2015: Nil).

#### 12 Events after the reporting date

Other than the going concern disclosures in Note 1, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

#### 13 Related party transactions

The Director provided a loan of \$50 on an interest free at call basis.

Other than the above, there were no other transactions with related parties (2015:nil).

	2016	2015
	\$	\$
<b>14 Cash Flow Information</b>		
Profit after tax	(74,200)	(24,344)
<i>Non-Cash flows in profit:</i>		
Movement in trade and other receivables	-	(35,890)
Movement in trade and other payables	106,000	70,667
Movement in tax provision	(31,800)	(10,433)
<b>Net cash from operating activities</b>	<u><u>-</u></u>	<u><u>-</u></u>

#### 15 Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, equity investments and accounts payable.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies in Note 1 to these financial statements, are as follows:

	Note		
<b>Financial assets at fair value</b>			
Cash and cash equivalents	5	52	2
Available-for-sale financial assets:			
- equity investments at fair value through other comprehensive income	6	526,027	876,712
<b>Total financial assets</b>		<u><u>526,079</u></u>	<u><u>876,714</u></u>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost:			
- borrowings	7	1,236,717	1,130,667
<b>Total financial liabilities</b>		<u><u>1,236,717</u></u>	<u><u>1,130,667</u></u>

The risks associated with material financial instruments are detailed below.

## Notes to the financial statements

### For the year ended 30 June 2016

#### (a) Interest rate risk management

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

Pan Andean Capital Pty Ltd has minimised its interest rate risk exposures on long-term financing by ensuring its only loan is secured on a fixed interest rate of 10% per annum.

#### (b) Foreign currency risk management

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

Pan Andean Capital Pty Ltd has no exposure to foreign currency risk as it does not trade in any foreign currency.

#### (c) Credit risk management

Credit risk is the risk that a counterparty fails to discharge an obligation to Pan Andean Capital Pty Ltd.

Pan Andean Capital Pty Ltd has no exposure to credit risk as it has made no loans to any other parties during the year.

#### (d) Liquidity risk management

Liquidity risk is the risk that Pan Andean Capital Pty Ltd might be unable to meet its obligations as they fall due.

The company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities.

#### (e) Net fair values of financial assets and liabilities

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three (3) levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2016:

	Level 1	Level 2	Level 3	TOTAL
<b>Financial Assets</b>				
Listed securities	526,027	-	-	526,027
Cash	52	-	-	52
	526,079	-	-	526,079
<b>Financial Liabilities</b>				
Loan	-	(1,060,050)	-	(1,060,050)
	-	(1,060,050)	-	(1,060,050)

## **Notes to the financial statements**

### **For the year ended 30 June 2016**

#### **(f) Other price risk sensitivity**

Pan Andean Capital Pty Ltd is exposed to other price risk in respect of its equity securities in listed entity KALiNA Power Limited.

In order to minimise volatility in share prices affecting profit and loss, the company has classified equity investments as available for sale which ensures that any movements in fair value are recognised through reserves and have no impact on profit or loss for the period. Pan Andean Capital Pty Ltd takes a long term view to its equity investments and only considers the sale of equity investments when advantageous.

#### **16 Capital Management**

Management controls the capital of the company in order to ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Pan Andean Capital Pty Ltd  
ACN 006 740 352

## Directors' Declaration

In accordance with a resolution of the director of Pan Andean Capital Pty Ltd, the director of the company declares that:

- 1 The financial statements and notes, as set out on pages 6 to 18, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards and Canadian GAAP applicable to publicly accountable enterprises which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards.
  - b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the company.
- 2 In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

**ORIGINAL SIGNED**

\_\_\_\_\_  
Wanda Gaye Newton  
Director

Dated this 28th day of September 2017



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAN ANDEAN CAPITAL PTY LTD**

We have audited the accompanying financial report, being a general purpose financial report, of Pan Andean Capital Pty Ltd, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### **Directors' Responsibility for the Financial Report**

The director of the Company is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian and Canadian Accounting Standards and the Corporations Act 2001 and for such internal controls as the director determine are necessary to enable to the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian and Canadian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

cfmc assurance pty ltd  
ACN 134 723 068

Liability limited by a scheme approved under Professional Standards Legislation  
Level 15, 390 St Kilda Road Melbourne VIC 3004  
t: +61 3 9252 0800 f: +61 3 9252 0801  
e: enquiries@cfmc.com.au www.cfmc.com.au

  
INDEPENDENT MEMBER

## Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We have given to the director of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

## Opinion

In our opinion the financial report of Pan Andean Capital Pty Ltd is in accordance with the Corporations Act 2001, including:

(i). giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii). complying with Australian Accounting Standards and Canadian GAAP applicable to publicly accountable enterprises which, as stated in accounting policy Note 1 to the financial statement, constitutes compliance with International Financial Reporting Standards and complying with the Corporations Regulations 2001.

CFMC Assurance Pty Ltd

**CFMC Assurance Pty Ltd**

**ORIGINAL SIGNED**

**Gregory Hudswell FCA**

Director

Level 15,  
390 St Kilda Road  
MELBOURNE, VIC 3004

Dated this 28th day of September 2017

# **Pan Andean Capital Pty Ltd**

**ACN 006 740 352**

**General Purpose Financial Statements**

**For the year ended 30 June 2015**

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## **Directors' Report**

The Director presents her Report on Pan Andean Capital Pty Ltd ("the Company") for the financial year ended 30 June 2015.

### **Directors**

The name of the sole director in office at any time during or since the end of the year is Wanda Gaye Newton.

The director has been in office since the start of the financial year to the date of this Report.

### **Review of Operations and Financial Results**

For the 2015 financial year, Pan Andean Capital Pty Ltd made a loss of \$24,344 (2014:Nil) after providing for income tax, as well as an unrealised after-tax loss of \$153,245 relating to the company's financial assets.

A review of the operations of Pan Andean Capital Pty Ltd during the financial year show that the company invested in a single company, KALiNA Power Limited. The result for the year primarily reflects the movement in the fair value of this asset (net of holding costs).

### **Significant Changes in the State of Affairs**

Pan Andean Capital Pty Ltd was incorporated on the 13th of April 1987, however the company only began trading operations during the 2015 financial year.

### **Principal activities**

The principal activity of Pan Andean Capital Pty Ltd during the financial year was investing in listed securities. This activity commenced during the 2015 financial year.

### **Events Subsequent to the End of the Reporting Period**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of Pan Andean Capital Pty Ltd, the results of those operations, or the state of affairs of the company in future financial years.

### **Likely Developments and Expected Results of Operations**

Likely developments in the operations of Pan Andean Capital Pty Ltd in future financial years include a proposed transaction whereby Pan Andean Capital Pty Ltd is the target company in a takeover by Lions Bay Capital Inc, a company incorporated in Canada. Should this transaction occur, Pan Andean Capital Pty Ltd would become a wholly owned subsidiary of a publicly listed entity on the TSX Venture Exchange.

### **Dividends**

No dividends were paid to Pan Andean Capital Pty Ltd shareholders during the year.

**Options**

No option over issued shares or interests in Pan Andean Capital Pty Ltd were granted during or since the end of the 2015 financial year and there were no options outstanding at the date of this report.

**Directors' Interests in Shares of the Company or Related Bodies Corporate**

The director of Pan Andean Capital Pty Ltd does not hold a direct shareholding in the company or in a related body corporate.

**Indemnification of Officers**

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor in Pan Andean Capital Pty Ltd.

**Proceedings on Behalf of the Company**

No person has applied for leave of Court to bring proceedings on behalf of Pan Andean Capital Pty Ltd or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

The company was not a party to any such proceedings during the year.

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under Section 307c of the Corporations Act 2001 is set out on page 5.

This Director's Report is signed in accordance with a resolution of the sole director:

**ORIGINAL SIGNED**

---

Wanda Gaye Newton  
Director

Dated this 28th day of September 2017



**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001  
TO THE DIRECTORS OF PAN ANDEAN CAPITAL PTY LTD**

In relation to our audit of the interim financial report of Pan Andean Capital Pty Ltd, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there have been

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit

*CFMC Assurance Pty Ltd*

**CFMC Assurance Pty Ltd**

**ORIGINAL SIGNED**

**Gregory Hudswell**  
Director

Dated this 27th day of September, 2017

## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Revenue	2	35,890	-
Finance costs	3	(70,667)	-
Loss before income tax		<u>(34,777)</u>	-
Income tax benefit	4	10,433	-
<b>Loss for the year</b>		<u>(24,344)</u>	-
<b>Other comprehensive loss for the year:</b>			
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>			
Fair value loss on available for sale financial assets, net of tax		(153,425)	-
<b>Total comprehensive loss for the year</b>		<u><u>(177,769)</u></u>	-
Basic / diluted earning/(loss) per share	9	(12,172)	-

## Statement of Financial Position

as at 30 June 2015

	Note	2015 \$	2014 \$
<b>Current assets</b>			
Cash and cash equivalents	5	2	2
Financial assets	6	876,712	-
<b>Total current assets</b>		<b>876,714</b>	<b>2</b>
<b>Non-current assets</b>			
Deferred tax assets	4	76,186	-
<b>Total non-current assets</b>		<b>76,186</b>	<b>-</b>
<b>Total assets</b>		<b>952,900</b>	<b>2</b>
<b>Current liabilities</b>			
Borrowings	7	1,130,667	-
<b>Total current liabilities</b>		<b>1,130,667</b>	<b>-</b>
<b>Total liabilities</b>		<b>1,130,667</b>	<b>-</b>
<b>Net assets/(deficiency)</b>		<b>(177,767)</b>	<b>2</b>
<b>Equity</b>			
Issued capital	8	2	2
Reserves		(153,425)	-
Accumulated losses		(24,344)	-
<b>Total equity</b>		<b>(177,767)</b>	<b>2</b>

## Statement of Changes in Equity

For the year ended 30 June 2015

	Share Capital \$	Financial Assets Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2013	2	-	-	2
Total comprehensive income for the year	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>
Balance at 1 July 2014	2	-	-	2
Loss for the year	-	-	(24,344)	(24,344)
Other comprehensive loss for the year	-	(153,425)	-	(153,425)
<b>Balance at 30 June 2015</b>	<b>2</b>	<b>(153,425)</b>	<b>(24,344)</b>	<b>(177,767)</b>

## Statement of Cash Flows

For the year ended 30 June 2015

		2015	2014
	Note	\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		-	-
Payments to suppliers and employees		-	-
Net cash provided by operating activities	14	-	-
<b>Cash flows from investing activities</b>			
Purchase of investments		(1,060,000)	-
Net cash used in investing activities		(1,060,000)	-
<b>Cash flows from financing activities</b>			
Proceeds to third parties		-	-
Proceeds from loan		1,060,000	-
Net cash provided by financing activities		1,060,000	-
Net change in cash and cash equivalents held		-	-
Cash and cash equivalents at beginning of financial year		2	2
Cash and cash equivalents at end of financial year	5	2	2

## **Notes to the financial statements**

### **For the year ended 30 June 2015**

#### **1 Statement of significant accounting policies**

##### **General Information and Statement of Compliance**

This financial report includes the financial statements and notes of Pan Andean Capital Pty Ltd, a company limited by shares, incorporated in Australia.

The general purpose financial statements of Pan Andean Capital Pty Ltd have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, unless otherwise stated in the notes. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on the 21st of August 2017 by the director of Pan Andean Capital Pty Ltd.

##### **Going Concern**

Pan Andean Capital Pty Ltd reported an after-tax loss of \$24,344 and a net asset deficiency of \$177,767 as at 30 June 2015. The director has reviewed both the operational and financial performance to date and forecasts of the company and is satisfied that the going concern basis of accounting is appropriate. Pan Andean Capital Pty Ltd's major asset is an investment in shares of a listed entity.

The operations of the company are dependent on financial market risk factors that have the potential to influence the operating and financial performance of the company and can impact on the value of the investment in the future.

Due to the existence of an inherent uncertainty associated with the market risk, the entity may not be able to realise its assets and discharge its liabilities in the ordinary course of business and at the amounts stated in the financial report.

##### **Commencement of Operations**

Pan Andean Capital Pty Ltd commenced trading operations during the 2015 year and its principal activity was investing in listed securities.

## **Notes to the financial statements**

### **For the year ended 30 June 2015**

#### **Accounting Policies**

##### **Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the financial year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit and loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

## **Notes to the financial statements**

### **For the year ended 30 June 2015**

#### **Financial Instruments**

Initial recognition and measurement:

Financial assets and financial liabilities are initially recognised at fair value adjusted for transaction costs when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset.

Classification and subsequent measurement of financial assets:

#### *Loans*

Loans are financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost.

#### *Available for sale ('AFS') financial assets*

AFS financial assets, including listed shares, are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the Financial Asset Reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss is reclassified from the reserve to profit or loss.

#### *Fair value*

Fair value is determined based on current bid prices for all quoted investments.

#### **Cash and Cash Equivalents**

Cash and cash equivalents comprises cash on hand and deposits held at-call with banks.

#### **Revenue**

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST) where applicable.

## **Notes to the financial statements**

### **For the year ended 30 June 2015**

#### **Reserves**

##### *Financial Assets Reserve*

The financial assets reserve records movements in fair value of financial assets classified as available-for-sale.

#### **Critical accounting estimates and judgments**

The company evaluates estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and from the company. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### *a) Significant accounting judgments - Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only when management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies

##### *b) Significant accounting estimates - Fair Value of Financial Instruments*

For equity investments, management has used the relevant quoted price from active market, which represents fair value at year end. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 14(e)).

**Notes to the financial statements**  
For the year ended 30 June 2015

	2015	2014
	\$	\$
<b>2 Revenue</b>		
<b>Operating activities:</b>		
Interest revenue	35,890	-
<b>Total revenue from operating activities</b>	<u>35,890</u>	<u>-</u>
<b>3 Expenses</b>		
<b>(i) Finance costs</b>		
Interest expense on financial liabilities	70,667	-
<b>(ii) Key Management Personnel Compensation</b>		
Key Management Personnel Compensation	-	-
	<u>70,667</u>	<u>-</u>
<b>4 Income tax expense</b>		
The components of tax benefit comprise:		
- Deferred Tax Benefit	(10,433)	-
Total income tax expense	<u>(10,433)</u>	<u>-</u>
<b>The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to income tax as follows:</b>		
Accounting loss before income tax	<u>(34,777)</u>	<u>-</u>
The prima facie tax benefit on loss from ordinary activities before income tax at 30% (2014: 30%)	<u>(10,433)</u>	<u>-</u>
<b>Assets:</b>		
<b>Non-current</b>		
Deferred tax assets relate to timing differences on:		
- Revaluation of financial assets	65,753	-
- Tax losses to be carried forward	10,433	-
Total deferred tax assets	<u>76,186</u>	<u>-</u>
<b>5 Cash and cash equivalents</b>		
Cash on hand	2	2
	<u>2</u>	<u>2</u>
<b>6 Financial assets</b>		
<b>Current</b>		
Available-for-sale financial assets at fair value:		
Shares in listed entity	876,712	-
	<u>876,712</u>	<u>-</u>

The equity instruments are denominated in \$AUD and are publicly traded in Australia.

**Notes to the financial statements**  
**For the year ended 30 June 2015**

	2015	2014
	\$	\$
<b>7 Borrowings</b>		
<b>Current</b>		
Amounts due to other parties	1,060,000	-
Accrued interest	70,667	-
	<u>1,130,667</u>	<u>-</u>

The lender had not activated its rights to enter into a secured charge over the shares in a listed entity owned by the company or receive full title to the shares to settle the loan and the related interest.

<b>8 Issued Capital</b>		
2 fully paid ordinary shares	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**9 Earnings Per Share**

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Company as the numerator (ie no adjustments were necessary in 2015 or 2014).

<b>Overall operations</b>		
Basic / diluted earnings/(loss) per share	(12,172)	-
Weighted average number of ordinary shares used in the calculation of Basic Earnings Per Share	2	2
Weighted average number of dilutive options and converting preference shares on issue	-	-
Earnings used in the calculation of Basic / Diluted Earnings/(Loss) Per Share	(24,344)	-

**10 Sole Operating Segment**

Pan Andean Capital Pty Ltd has one operating segment: investments in listed securities.

Accordingly, revenue and results are fully disclosed in the statement of profit or loss and other comprehensive income for this aggregated sole operating segment.

The statement of financial position discloses the sole operating segment assets and liabilities which are held within Australia.

**11 Contingent liabilities**

There were no contingent liabilities as at 30 June 2015 (2014: Nil).

## Notes to the financial statements

### For the year ended 30 June 2015

#### 12 Events after the reporting date

Other than the going concern disclosures in Note 1, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

#### 13 Related party transactions

There were no related party transactions during the year ended 30 June 2015 (2014:Nil)

	2015	2014
	\$	\$
<b>14 Cash Flow Information</b>		
Profit after tax	(24,344)	-
<i>Changes in assets and liabilities:</i>		
Movement in trade and other receivables	(35,890)	-
Movement in trade and other payables	70,667	-
Movement in tax provision	(10,433)	-
<b>Net cash from operating activities</b>	<u><u>-</u></u>	<u><u>-</u></u>

#### Note

#### 15 Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, equity investments and loan payable.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies in Note 1 to these financial statements, are as follows:

<b>Financial assets at fair value</b>		
Cash and cash equivalents	5	2
Available-for-sale financial assets:		
- equity investments at fair value through other comprehensive income	6	876,712
<b>Total financial assets</b>		<u><u>876,714</u></u>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost:		
- borrowings	7	1,130,667
<b>Total financial liabilities</b>		<u><u>1,130,667</u></u>

The risks associated with material financial instruments are detailed below.

## Notes to the financial statements

### For the year ended 30 June 2015

#### (a) Interest rate risk management

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

Pan Andean Capital Pty Ltd has minimised its interest rate risk exposures on long-term financing by ensuring its only loan is secured on a fixed interest rate of 10% per annum.

#### (b) Foreign currency risk management

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

Pan Andean Capital Pty Ltd has no exposure to foreign currency risk as it does not trade in any foreign currency.

#### (c) Credit risk management

Credit risk is the risk that a counterparty fails to discharge an obligation to Pan Andean Capital Pty Ltd.

Pan Andean Capital Pty Ltd has no exposure to credit risk as it has made no loans to any other parties during the year.

#### (d) Liquidity risk management

Liquidity risk is the risk that Pan Andean Capital Pty Ltd might be unable to meet its obligations as they fall due.

The company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities.

#### (e) Net fair values of financial assets and liabilities

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three (3) levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2015:

	Level 1	Level 2	Level 3	TOTAL
<b>Financial Assets</b>				
Listed securities	876,712	-	-	876,712
Cash	2	-	-	2
	876,714	-	-	876,714
<b>Financial Liabilities</b>				
Loan	-	(1,060,000)	-	(1,060,000)
	-	(1,060,000)	-	(1,060,000)

**Notes to the financial statements**  
**For the year ended 30 June 2015**

**(f) Other price risk sensitivity**

Pan Andean Capital Pty Ltd is exposed to other price risk in respect of its equity securities in listed entity KALiNA Power Limited.

In order to minimise volatility in share prices affecting profit and loss, the company has classified equity investments as available for sale which ensures that any movements in fair value are recognised through reserves and have no impact on profit or loss for the period. Pan Andean Capital Pty Ltd takes a long term view to its equity investments and only considers the sale of equity investments when advantageous.

**16 Capital Management**

Management controls the capital of the company in order to ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Pan Andean Capital Pty Ltd  
ACN 006 740 352

## Directors' Declaration

In accordance with a resolution of the director of Pan Andean Capital Pty Ltd, the director of the company declares that:

- 1 The financial statements and notes, as set out on pages 8 to 18, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards and Canadian GAAP applicable to publicly accountable enterprises which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards.
  - b. give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the company.
- 2 In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

**ORIGINAL SIGNED**

---

Wanda Gays Newton  
Director

Dated this 28th day of September 2017



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAN ANDEAN CAPITAL PTY LTD**

We have audited the accompanying financial report, being a general purpose financial report, of Pan Andean Capital Pty Ltd, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### **Directors' Responsibility for the Financial Report**

The director of the Company is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian and Canadian Accounting Standards and the Corporations Act 2001 and for such internal controls as the director determine are necessary to enable to the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian and Canadian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

cfmc assurance pty ltd  
ACN 134 723 068

Liability limited by a scheme approved under Professional Standards Legislation  
Level 15, 390 St Kilda Road Melbourne VIC 3004  
t: +61 3 9252 0800 f: +61 3 9252 0801  
e: enquiries@cfmc.com.au www.cfmc.com.au

  
INDEPENDENT MEMBER



## Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We have given to the director of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

## Opinion

In our opinion the financial report of Pan Andean Capital Pty Ltd is in accordance with the Corporations Act 2001, including:

(i). giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii). complying with Australian Accounting Standards and Canadian GAAP applicable to publicly accountable enterprises which, as stated in accounting policy Note 1 to the financial statement, constitutes compliance with International Financial Reporting Standards and complying with the Corporations Regulations 2001.

*CFMC Assurance Pty Ltd*

**CFMC Assurance Pty Ltd**

**ORIGINAL SIGNED**

**Gregory Hudswell FCA**

Director

Level 15,  
390 St Kilda Road  
MELBOURNE, VIC 3004

Dated this 28th day of September 2017

**APPENDIX 4**

**PROFORMA CONSOLIDATED BALANCE SHEET OF THE RESULTING ISSUER**

**Pan Andean Capital Pty**  
Proforma Consolidated Balance Sheet  
As at March 31, 2017  
(Unaudited – Prepared by Management)  
Expressed in Canadian Dollars

	Lions Bay Capital Inc. as at Feb 28 2017 \$	Pan Andean Capital Pty Ltd. as at March 31 2017 \$	Proforma adjustments \$	Notes	Proforma Consolidated as at March 31 2017 \$
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	11,112	326,242	(54,902)	3(b)	982,452
			20,000	3(c)	
			800,000	3(g)	
			(120,000)	3(h)	
Financial assets – Publicly listed shares available for sale	-	1,966,704	205,429	3(d)	2,328,383
			156,250	3(e)	
Other investments		25,395			25,395
	<u>11,112</u>	<u>2,318,341</u>			<u>3,336,230</u>
<b>Non-current assets</b>					
Financial assets	-	126,202	(20,000)	3(c)	106,202
Deferred tax assets	-	36,895			36,895
	<u>-</u>	<u>163,097</u>			<u>143,097</u>
	<u>11,112</u>	<u>2,481,438</u>			<u>3,479,327</u>

The accompanying Notes are an integral part of the unaudited proforma consolidated balance sheet

**Pan Andean Capital Pty**  
 Proforma Consolidated Balance Sheet  
 As at March 31, 2017  
 (Unaudited – Prepared by Management)  
 Expressed in Canadian Dollars

	Lions Bay Capital Inc. as at Feb 28 2017 \$	Pan Andean Capital Pty Ltd. as at March 31 2017 \$	Proforma adjustments \$	Notes	Proforma Consolidated as at March 31 2017 \$
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	36,594	2,561,987	205,429	3(d)	36,594
			156,250	3(e)	
			(2,923,666)	3(f)	
Loan – Arcourt Resources	54,902	-	(54,902)	3(b)	-
	91,496	2,561,987			36,594
<b>Non-current liabilities</b>					
Deferred taxes	-	1,661			1,661
	<b>91,496</b>	<b>2,563,648</b>			<b>38,255</b>
<b>Shareholders' equity</b>					
Share capital	443,843	2	(443,843)	3(a)	4,338,187
			201,758	3(a)	
			3,396,427	3(f)	
			800,000	3(g)	
			(60,000)	3(h)	
Contributed surplus	37,290		(37,290)	3(a)	-
Warrants			40,000	3(i)	40,000
Reserves	-	(49,955)			(49,955)
(Accumulated deficit)	(561,517)	(32,257)	561,517	3(a)	(887,160)
Retained earnings			(282,142)	3(a)	
			(472,761)	3(f)	
			(60,000)	3(h)	
			(40,000)	3(i)	
	<b>(80,384)</b>	<b>(82,210)</b>			<b>3,441,072</b>
	<b>11,112</b>	<b>2,481,438</b>			<b>3,479,327</b>

The accompanying Notes are an integral part of the unaudited proforma consolidated balance sheet

## 1. Basis of Preparation

The accompanying unaudited proforma consolidated balance sheet of Pan Andean Capital Pty Ltd (the “Company” or “Pan Andean”) has been prepared by management from information derived from the financial statements of the Company which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

Lions Bay Capital Inc. (“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”). On March 6, 2017, the Corporation entered an arrangement agreement for a proposed Qualifying Transaction (“QT” as defined under the policies of the TSX Venture Exchange).

Pan Andean is an Australian investment holding company which commenced trading in October 2014. Its focus is on acquiring strategic stakes in companies in the resource, energy and resource related technology sectors. Pan Andean has also purchased debt and shares in an unlisted Australian company that is active in water technologies.

The unaudited proforma consolidated balance sheet has been prepared assuming the transaction referred to in Note 2 had occurred on March 31, 2017. The unaudited proforma consolidated balance sheet of the Corporation has been compiled from information derived from:

- (i) the unaudited interim balance sheet of Lions Bay as at February 28, 2017, which is expressed in Canadian Dollars
- (ii) the audited balance sheet of Pan Andean as at March 31, 2017, which was reported and expressed in Australian Dollars
- (iii) the additional information set out in Notes 2, 3, and 4 as below

The unaudited proforma consolidated balance sheet is expressed in Canadian Dollars, which assumed the audited balance sheet of Pan Andean as at March 31, 2017 was converted to Canadian Dollars at the assumed rate of 1.0168. References to A\$ are references to Australian dollars, references to US\$ are references to United States dollars and references to \$ or to C\$ are references to Canadian dollars.

## Pan Andean Capital Pty Ltd

Notes to the Proforma Consolidated Balance Sheet

As at March 31, 2017

(Unaudited – Prepared by Management)

Expressed in Canadian Dollars

The balance sheet of Pan Andean was valued in Canadian Dollars as follows:

	AUD \$	CAD \$
Cash and cash equivalents	320,852	326,242
Financial assets –		
Publicly listed shares available for sale	1,934,209	1,966,704
Other investments	24,975	25,395
Financial assets	124,117	126,202
Deferred tax assets	36,285	36,895
	<u>2,440,438</u>	<u>2,481,438</u>
Accounts payable and accrued liabilities	2,519,656	2,561,987
Deferred tax liabilities	1,634	1,661
Share capital	2	2
Reserves	(49,130)	(49,955)
Deficit	(31,724)	(32,257)
	<u>2,440,438</u>	<u>2,481,438</u>

The unaudited proforma consolidated balance sheet should be read in conjunction with the audited financial statements and notes of Lions Bay for the year ended May 31, 2016, and the unaudited interim financial statements and notes of Lions Bay for the three and nine months ended February 28, 2017, along with the audited financial statements of Pan Andean for the year ended June 30, 2016 and the nine months ended March 31, 2017.

In the opinion of management, the unaudited proforma consolidated balance sheet includes all adjustments necessary for fair presentation of the transactions as described herein. The assumptions used provide a reasonable basis for presenting all the significant effects of the transactions. The proforma adjustments give appropriate effect to those assumptions and are appropriately applied in the unaudited proforma consolidated balance sheet. This unaudited proforma consolidated balance sheet is not necessarily indicative of the financial position that will result if the transactions take place at the dates referred to within the Company's filing statement nor is it necessarily indicative of the financial position which would have resulted had the transactions occurred as set out in Notes 2, 3 and 4 below. Actual amounts recorded upon consummation of the transitions may materially differ from those recorded in this unaudited proforma consolidated balance sheet.

For financial reporting purposes, the transaction has been treated as a share-based payment transaction under IFRS 2 whereby Pan Andean has issued common shares in exchange for the net assets and public listing of Lions Bay, as described in Note 3(a). Consequently, the unaudited proforma consolidated balance sheet has been prepared to reflect the continuation of Pan Andean.

## Pan Andean Capital Pty Ltd

Notes to the Proforma Consolidated Balance Sheet

As at March 31, 2017

(Unaudited – Prepared by Management)

Expressed in Canadian Dollars

### 2 Purchase and Sale

Pursuant to the terms and conditions set pursuant to a Share Exchange Agreement dated March 6, 2017 (the "Share Exchange Agreement"), Lions Bay agrees to purchase all of the issued and outstanding shares of Pan Andean (the "Purchased Shares")

The Purchase Price for the Purchased Shares will be paid by the issuance of common shares of Lions Bay, as fully paid and non-assessable (the "Payment Shares"). The number of Payment Shares to be issued will be the Purchase Price determined by the Purchase Price divided by \$0.05.

### 3 Proforma Assumptions and Adjustments

The transaction contemplated in the unaudited proforma consolidated balance sheet consists of the acquisition of Pan Andean by Lions Bay and was based on the following assumptions;

#### 3(a) Acquisition of Pan Andean by Lions Bay

The acquisition of Pan Andean by Lions Bay is effected by way of a share exchange whereby all the issued and outstanding shares of Pan Andean shall be exchanged for common shares to be issued in the capital of Lions Bay (the "Payment Shares") at the price of \$0.05 per common share of Lions Bay.

Legally, Lions Bay will be the parent of Pan Andean. However, control of the combined companies will pass to the former shareholders of Pan Andean, in a share exchange transaction and amalgamation referred to as a "reverse takeover".

The transaction has been treated as a share-based transaction in accordance with IFRS 2. The equity accounts will be presented as a continuation of Pan Andean and accordingly, the shareholders' equity of Lions Bay will be eliminated.

The net assets of Lions Bay as at February 28, 2017, prior to the reverse takeover were:

	\$
Cash and cash equivalents	11,112
Accounts payable and accrued liabilities	(36,594)
Loan – Arcourt Resources	(54,902)
Net assets of Lions Bay	<u>(80,384)</u>

In substance, the amalgamation is a share-based payment transaction, with the issuance of shares by the non-public operating entity (Pan Andean) for the net assets and listing status of the non-operating public company (Lions Bay).

Lions Bay had an estimated market capitalization of \$201,758 based upon on a total of 4,035,168 Lions Bay common shares issued and outstanding, and share price of \$0.05. The total estimated public listing expense charged to deficit would be:

	\$
Estimated fair value of Lions Bay	201,758
Net assets of Lions Bay	(80,384)
Estimated public listing expense	<u>282,142</u>

## **Pan Andean Capital Pty Ltd**

Notes to the Proforma Consolidated Balance Sheet

As at March 31, 2017

(Unaudited – Prepared by Management)

Expressed in Canadian Dollars

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### **3(b) Lions Bay Debt Repayment**

Arcourt Resources NL (“Arcourt”) provided a loan to Lions Bay of \$53,000 to fund recent regulatory filing costs and to maintain the Company in good standing. At February 28, 2017, the total debt to Arcourt was \$54,902 which includes accumulated accrued interest at 10% per annum. On Closing, the Arcourt loan is to be repaid.

### **3(c) Pan Andean Loan to Lions Bay**

Pan Andean provided a loan to Lions Bay of up to \$50,000 to fund necessary documents for the QT and for completing its quarterly accounts. This loan is to be drawn down in amounts of \$20,000, \$20,000 and \$10,000 as required. Subsequent to February 28, 2017, a total of \$20,000 had been drawn down by Lions Bay and was outstanding as at March 31, 2017.

### **3(d) Investment in Verdant Minerals**

Subsequently on May 19, 2017, Pan Andean agreed to purchase from Drawone Pty Limited ATF Newton Investment Trust (“Newton Investment Fund”), a total of 7,500,000 shares of Verdant Minerals Limited for the total purchase price of \$205,379 (A\$210,000). On Closing, the consideration given to Newton Investment Fund shall be by way of Pan Andean directing the issuance of Payment Shares to the Newton Investment Fund, as defined in the Share Exchange Agreement.

### **3(e) Investment in Golden Reign Resources**

Subsequently on May 19, 2017, Pan Andean agreed to purchase from John Newton and Gaye Newton ATF Drawone Super Fund (“Drawone Super Fund”), a total of 625,000 shares of Golden Reign Resources Limited for the total purchase price of \$156,250. On Closing, the consideration given to Drawone Super Fund shall be by way of Pan Andean directing the issuance of Payment Shares to the Drawone Super Fund, as defined in the Share Exchange Agreement.

### **3(f) Pan Andean Settlement Creditors**

The Payment Shares will be issued to the Sellers, provided that the Sellers may direct that some of the Payment Shares be issued to certain Pan Andean creditors who agree to settle the indebtedness owing to them by Pan Andean in exchange for common shares of Lions Bay (the “Pan Andean Settlement Creditors”) so that on Closing, Pan Andean will have no liabilities with Pan Andean Settlement Creditors, where it being understood that any such liabilities are to be settled by the issuance of Payment Shares to Pan Andean Settlement Creditors relate to loans made to Pan Andean for the purchase of publicly listed shares.

In accordance with the terms of the Share Exchange Agreement, Pan Andean Settlement Creditors would receive a total of approximately 67,928,538 common shares, at \$0.05 per common shares would be valued at \$3,396,427.

## Pan Andean Capital Pty Ltd

Notes to the Proforma Consolidated Balance Sheet

As at March 31, 2017

(Unaudited – Prepared by Management)

Expressed in Canadian Dollars

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### 3(g) Private Placement

In accordance with the terms of the Share Exchange Agreement, Lions Bay will conduct a non-brokered private placement offering of up to 20,000,000 Common Shares at a per share price of \$0.05 for aggregate gross proceeds of up to \$1,000,000 (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.

It is assumed that a Financing for aggregate gross proceeds of \$800,000 will be completed.

### 3(h) Estimated QT Closing Costs and Share Issuance Costs

Estimated accrued professional fees and share issuance costs as related are:

	\$
Qualifying Transaction	60,000
Share Issuance Costs	60,000
	<u>120,000</u>

### 3(i) Pan Andean Warrants

The Pan Andean Warrants will be exchanged for warrants of Lions Bay on the same basis as the issuance of the Payment Shares, it being agreed that the exercise price of such warrants issued by Pan Andean will be adjusted to comply with the policies of the Exchange. Accordingly, subject to Exchange approval, the warrants to be issued by Lions Bay in exchange for the Pan Andean Warrants will be for the same number of shares but at the exercise price of \$0.05 per share.

A total of 10,000,000 Pan Andean warrants have been issued, for which the fair market value was estimated on the date of the grant using a Black-Scholes pricing model with the following assumptions: share price of \$0.05, dividend yield of \$nil, expected volatility of 10.1%, risk free interest rate of 0.87% and an expected life of 3 years.

## 4 Purchase Price

Pursuant to the Share Exchange Agreement, Lions Bay agreed to purchase all of the issued and outstanding shares of Pan Andean (the “Purchased Shares”) from Drawone Pty Limited, John Newton and Gaye Newton (together, the “Sellers”). 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, up to a maximum of \$3,500,000.

Assuming a maximum Purchase Price of \$3,500,000 would result in the issuance of 70,000,000 common shares at \$0.05 per common share.

**Pan Andean Capital Pty Ltd**  
Notes to the Proforma Consolidated Balance Sheet  
As at March 31, 2017  
(Unaudited – Prepared by Management)  
Expressed in Canadian Dollars

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**5 Proforma Share Capital**

Share capital in the unaudited proforma consolidated balance sheet:

	<b>Common Shares</b>	<b>\$</b>
Share capital of Lions Bay	4,035,168	443,843
Share capital of Pan Andean	-	2
Elimination of Lions Bay share capital upon reverse take over	-	(443,843)
Estimated fair value of Lions Bay acquired in reverse take over	-	201,758
Payment Shares Issued		
Pan Andean Settlement Creditors	67,928,538	3,396,427
Pan Andean Sellers	2,071,462	-
Less share issuance costs	-	(35,000)
	<u>70,000,000</u>	<u>3,361,427</u>
Private Placement	16,000,000	800,000
Less share issuance costs	-	(25,000)
	<u>20,000,000</u>	<u>775,000</u>
	<u>90,035,168</u>	<u>4,338,137</u>

**6 Income Tax Rates**

Pan Andean reported a prima facie tax expense/(benefit) on profit/(loss) from ordinary activities at 30%; and an effective tax rate of nil% for the interim nine month reporting ended March 31, 2017.

Lions Bay reported a prima facie tax expense/(benefit) on profit/(loss) from ordinary activities at nil% and an effective tax rate of nil% for the interim nine month ended reporting period ended February 28, 2017.

**CERTIFICATE OF LIONS BAY CAPITAL INC.**

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Lions Bay Capital Inc. assuming Completion of the Qualifying Transaction.

DATED at Vancouver, British Columbia, as of September 28, 2017.

(signed) "Richard D. Wilson"

Richard D. Wilson  
Chief Executive Officer

(signed) "Richard D. Wilson"

Richard D. Wilson  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

(signed) "J. Ross MacLachlan"

J. Ross MacLachlan  
Director

(signed) "David Turner"

David Turner  
Director

**CERTIFICATE OF PAN ANDEAN CAPITAL PTY LTD.**

The foregoing, as it relates to Pan Andean Capital Pty Ltd., constitutes full, true and plain disclosure of all material facts relating to the securities of Pan Andean Capital Pty Ltd.

DATED at Melbourne, Victoria, Australia, as of September 28, 2017.

(signed) "Wanda Gaye Newton"

Wanda Gaye Newton  
Officer

(signed) "Adam Newton"

Adam Newton  
Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

(signed) "Wanda Gaye Newton"

Wanda Gaye Newton  
Director

## PERSONAL INFORMATION

“Personal Information” means any information about an identifiable individual, and includes information contained in any Items in the attached Filing Statement that are analogous to Items 4.2, 11, 12.1, 15, 17.2, 18.2, 23, 24, 26, 31.3, 32, 33, 34, 35, 36, 37, 38, 40 and 41 of Exchange Form 3B2 – *Information Required in a Filing Statement for a Qualifying Transaction*, as applicable.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B) pursuant to this Filing Statement; and
- (b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

DATED at Vancouver, British Columbia, as of September 28, 2017.

LIONS BAY CAPITAL INC.

By:

(signed) “Richard D. Wilson”  
Richard D. Wilson  
Chief Executive Officer