

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

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

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

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

Nature of Operations

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

Going Concern

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

Proposed Qualifying Transaction with Pan Andean Capital Pty Ltd

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

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

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

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

The purchase of Lions Bay's net assets would be treated as an equity-settled share-based payment under IFRS 2 Share-Based Payment. In accordance with IFRS 2, equity instruments from this transaction would be recognized at fair value of the net assets and services received. Services received from the Company consist in the listing of Lions Bay as a publicly listed Company and are measured at the amount of the excess of their fair value of equity instruments deemed issued to Lions Bay's shares and option holders at the time of the transaction and Lions Bay's net assets deemed acquired. The accounting treatment would be as a capital transaction, where the discrepancy in the purchase price consideration provided by an Andean to acquire the net assets of Lions Bay would be charged to the income statement as a listing expense. In accordance with the terms of the Share Exchange Agreement, Lions Bay will conduct a non-brokered private placement offering of up to 16,000,000 Common Shares at a per share price of \$0.05 for aggregate gross proceeds of up to \$800,000 (the "Financing"), which will close concurrent with Closing of the Acquisition. All Common Shares issued by Lions Bay under the Financing will be subject to a hold period of four months and one day from the date of issuance in accordance with applicable securities legislation and the policies of the Exchange.

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

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

	Three Months Ended August 31	
	2017	2016
	\$	\$
Expenses		
Accounting and audit	10,622	2,057
Filing & shareholder fees	2,992	2,993
Legal fees	3,392	100
	<u>17,006</u>	<u>5,150</u>
Other Income		
Interest expense	<u>2,593</u>	-
Total Loss and Comprehensive Loss	<u>(19,559)</u>	<u>(5,150)</u>
Loss per common share		
- Basic and fully diluted	<u>(0.01)</u>	<u>(0.00)</u>
Weighted average number of common shares (Net of shares held in escrow)		
- Basic and Diluted	<u>3,535,168</u>	<u>3, 535,168</u>

Results from Operations for the Quarter Ended August 31, 2017

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

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

Liquidity and Capital Resources

At August 31, 2017, the Company had a net working capital deficit of (\$187,805), comprised of cash of \$14,477 and total current liabilities of \$202,282, which consists of trade and other payables of \$92,922 and two loans totaling \$109,360 from Arcourt Resources and Pan Andean as follows:

In September 2016, the Company entered into a loan agreement with Arcourt Resources NL for a total principal amount of up to \$37,000, and subsequently amended up to \$53,000, is unsecured and bears interest of 10% per annum. At August 31, 2017, the total loan amount outstanding was \$57,573 consisting of principle of \$53,000 and accrued interest of \$4,573. The total outstanding principal and accrued interest are repayable on such date that is the earlier of the completion of a QT or 18 months after the date of the loan agreement. See Subsequent Event.

In March 2017, the Company entered a loan agreement with Pan Andean for a total principal amount of up to \$50,000, which is unsecured and bears interest at 10% per annum. At August 31, 2017, the total loan amount outstanding was \$51,787 consisting of principle of \$50,000 and accrued interest of \$1,787. The total outstanding principal and accrued interest are repayable on such date that is the earlier of the completion of a QT or 18 months after the date of the loan agreement. See Subsequent Event.

As at May 31, 2017, the Company had a net working capital deficit of (\$168,206), comprised of cash of \$36,989 and total current liabilities of \$205,195.

The change in net working capital of (\$19,599) for the current quarter, is attributed to the net loss incurred during the period.

Financial Instruments

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

Financial instruments that potentially subject the Company to significant concentrations of credit risk is 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

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.

Subsequent Event

On September 28, 2017, Lions Bay t filed with the Exchange and with securities regulators a Filing Statement prepared in accordance with Exchange policy that contains detail on Lions Bay's previously announced acquisition (the "Acquisition") of all of the issued and outstanding shares and share purchase warrants of Pan Andean, which Acquisition will serve as Lions Bay's Qualifying Transaction under the policies of the Exchange. The Filing Statement is available for viewing on the SEDAR website (www.sedar.com) under Lions Bay's issuer profile.

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

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

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

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

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

Share Information

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

Disclosure controls and procedures and internal control over financial reporting

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

Risks and Uncertainties

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