

**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS FROM OPERATIONS – FOR THE QUARTER ENDED AUGUST 31, 2018**

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, 2018 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’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.

**Business Strategy**

The Company’s focus is on strategic stakes in companies in the resource, energy and resource related technology sectors.

Lions Bay has a current portfolio of investments that cover energy, water and resources, including Electric Vehicle (EV) and battery material exposure in Cobalt, Nickel and Tin.

The investment portfolio comprises public trading shares in Kalina Power Limited (energy), Jervois Mining Limited (battery resources), Verdant Minerals Limited (resources), all listed on the Australian Securities Exchange. Further investments comprise public trading shares on the TSX-V, namely, Golden Reign Resources (gold), Montan Mining (gold) and Eurotin Limited (EV, Tin).

The Company will focus on investments in growth resources not greenfield exploration and is targeting significant annual returns from management of its portfolio. This will be achieved in the following manner:

### *Invest In Quality Management*

We recognize that the most important ingredient in building a successful company is management. Less than 10% of junior mining companies are successful. The skills required to find a mineral resource are different from those required to develop it and then a different set of skills are required to operate. Understanding the complexities is vital to success. Lions Bay is not a passive investor and is prepared to intervene if necessary to ensure appropriate management is in place with a plan that it can execute.

### *Identify New and Disruptive Technologies*

We are in a rapidly changing world with new technologies having profound impacts on metal and energy trends. The electric car is here and fossil fuels are under pressure. The power grid as we know it is changing and renewables are here. The emphasis on battery metals and light weight stronger alloys has just begun. Lions Bay is active across this space. Its investment in Jervois is focused on this area while our strategic shareholding in Kalina provides access to an experienced team of power industry professionals.

Lions Bay also owns 46% of Consolidated Potash Corporation Limited, an unlisted public company which owns proprietary technology with the potential to provide revolutionary process routes for production of minerals including lithium and Potash. Lions Bay has, subject to Exchange approval, made an offer to acquire the balance of Consolidated Potash Corporation that it does not own. The intention is to list Consolidated Potash Corporation in the first half of calendar 2019, and following this listing, the Company expects Consolidated Potash Corporation to be the major investment, by value, of the Company.

### *Restructuring Of Undervalued Assets*

There are many instances in the resource and related technology areas where companies simply run out of capital and the market has lost faith in the ability of management to deliver. The resource underpinning the company is often proven but the funding and experience is not there to execute. These are ideal situations in which Lions Bay is interested in becoming the cornerstone underwriter for a new business plan.

### *Funding To Support New Discoveries*

Lions Bay is not an exploration company but is alert to trends in the business that will influence commodity prices and hence may turn deposits previously uneconomic into commercial propositions. We are, however, risk averse and will tend to seed opportunities with a view to minimise any exploration risk.

## Investments

The table below provides a summary of the Company's listed investments:

	<b>Cost (as at August 31 2018)\$</b>	<b>Fair Value August 31 2018 \$</b>	<b>Cost \$</b>	<b>Fair Value May 31 2018 \$</b>
Kalina Power Ltd	1,142,227	536,126	1,142,227	327,446
Jervois Mining Ltd	371,493	2,234,126	465,714	3,058,645
Golden Reign Resources Ltd	266,061	202,760	622,062	623,040
Verdant Mining Ltd	127,044	68,497	209,414	175,848
Eurotin Inc	700,000	1,133,333	700,000	1,000,000
Elementos Ltd	11,705	9,410	-	-
<b>Total</b>	<b>2,618,530</b>	<b>4,184,252</b>	<b>3,139,417</b>	<b>5,184,979</b>

\*This table excludes the value of the Company's unlisted investments.

## Going Concern

At the reporting date the consolidated entity had a cash balance of \$42,881 and net current assets of \$3,481,285 including liquid investments amounting to \$4,184,252. At the date of this report, the Directors have considered the above factors and the additional funds required to accomplish its business objectives and are of the opinion that the consolidated entity will be able to continue as a going concern and will be able to pay its debts as and when they fall due.

## Acquisition of Pan Andean Capital Pty Ltd

On 14 November 2017 the group completed a legal acquisition of Pan Andean Capital Pty Ltd ("Pan Andean"). This acquisition has been accounted for as a share based payment by which Pan Andean acquired the net assets and listing status of Lions Bay Capital Inc ("Lions Bay").

Accordingly, the consolidated financial statements of Lions Bay have been prepared as a continuation of the business and operations of Pan Andean. Pan Andean has accounted for the acquisition of Lions Bay from 14 November 2017. The comparative information in the consolidated financial statements is that of Pan Andean.

The implications of the acquisition by Lions Bay on the financial statements are as follows:

### *Consolidated Statement of Financial Position*

The Statement of Financial Position as at 31 August 2017 represents the consolidation of Pan Andean as the accounting acquirer of Lions Bay.

### *Consolidated Statements of Profit or Loss and Comprehensive Income*

The 2017 Statement of Profit or Loss and Other Comprehensive Income comprises the 3 months comparative of Pan Andean only.

### *Consolidated Statement of Changes in Equity*

The August 2018 Statement of Changes in Equity comprises:

- The equity balance of the consolidated group comprising Pan Andean and Lions Bay at the end of 31 August 2018.
- The 2017 Statement of Changes in Equity comprises the period for Pan Andean for the 3 months to 31 August 2017.

### *Statement of Cash Flows*

The 2018 Statement of Cash Flows comparatives comprises 3 months of Pan Andean to 31 August 2017.

### **Subsequent Events**

There has been matter or circumstance that has arisen since the end of the period, that has 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 periods.

## Results from Operations and Profit for the Quarter Ended August 31, 2018

For the three months ended 31 August	2018 \$	2017 \$
<b>NET REALISED AND UNREALISED GAIN/(LOSS)</b>		
Net realized gain/(loss) on disposal of marketable securities	(153,745)	-
Net change in unrealized gain/(loss) on marketable securities	89,820	852,017
<b>OTHER INCOME</b>		
Interest and other income	43,250	22,816
<b>Expenses</b>		
Professional fees	122,668	25,288
Directors fees	60,701	-
Travel expenses	19,030	-
Loss from equity accounted investment	12,727	-
Financing costs	27,101	36,387
Forex variance	139,243	-
General and administrative	24,583	6
<b>Total expenses</b>	406,053	61,681
<b>Profit/(loss) before tax</b>	(426,728)	813,152
Income tax (expense)/recovery	62,972	(234,855)
<b>Profit/(loss) after tax</b>	(363,756)	578,297
Share of non-controlling interest loss	23,157	-
	(340,599)	578,297
<b>Other comprehensive income/(loss) net of tax</b>	38,216	984
<b>Net income/(loss) and total comprehensive income</b>	(302,383)	579,281
<b>Profit/(loss) per common share (note 16)</b>		
- Basic	\$0.0040	\$115,859
- Diluted	\$0.0035	\$115,859
<b>Weighted average number (note 16) of common shares</b>		
- Basic	91,240,611	5
- Diluted	105,244,234	5

## **Results from Operations for the Quarter Ended August 31, 2018**

The net loss for the quarter ended August 31, 2018 was \$0.30 million, or \$0.004 per share, compared to a net profit of \$0.58 million, or \$115,859 per share, for the quarter ended August 31, 2017.

During the three months ended August 31, 2018, the Company recorded realized capital losses of \$153,745. This loss arose on the disposal of publically traded securities that had been marked to market in the previous quarter and then sold during the current quarter at a lower price. This loss primarily related to the disposal of Jervois Mining shares.

During the three months ended August 31, 2017, the Company recorded no realized capital gains or losses.

During the quarter ended August 31, 2018, the Company recorded \$0.089 million of net unrealized gain on investments and marketable securities. The unrealized gains were primarily attributed to the gains through mark-to-market of the Company's publicly traded investments.

During the quarter ended August 31, 2017, the Company recorded \$0.85 million of net unrealized gain on investments and marketable securities. The unrealized gains were primarily attributed to the gains through mark-to-market of the Company's publicly traded investments. This gain was primarily due to the increase in the value of Jervois Mining Limited.

Total expenses during the quarter ended August 31, 2018 were \$0.4 million compared to \$61,000 for the quarter ended August 31, 2017. The increase of expenses was due Forex variances, professional fees associated with the investment activity of the Company in the quarter as well as directors and management fees that were not incurred in the prior year quarter.

## **Liquidity and Capital Resources**

At August 31, 2018, the Company had a net working capital of \$3,481,285 comprised of cash of \$42,881 and total other current assets of \$3,438,404, which consists of other current assets of \$4,772,104 and current liabilities, being borrowings, trade and other payables of \$1,333,700.

At May 31, 2018, the Company had a net working capital of \$4,291,960 comprised of cash of \$57,568 and total other net current assets of \$4,234,392, which consists of other current assets of \$5,790,850 and current liabilities, being trade and other payables and borrowings of \$1,556,458.

The reduction in net working capital of \$810,675 for the current quarter, is attributed primarily related to the realized and unrealized capital losses of its Investments partly offset by a reduction in current liabilities.

## **Financial Instruments**

The Company's current financial instruments consist of cash, and trade and other payables, along with public listed shares which are initially measured at fair value and subsequently measured at market price.

Financial instruments that potentially subject the Company to significant concentrations of credit risk is cash and movements in the price of public listed shares.

The Company limits its exposure to credit risk by placing its cash with high credit quality institutions and by actively monitoring its portfolio of public listed shares and private investments with an aim to provide a diversified spread of value amongst the various investment. The maximum exposure to loss arising from cash, public listed shares and private investments are equal to their carrying value.

### **Contractual Obligations**

The Company has trade payables of \$399,382 with an average age of less than 45 days.

### **Off-Balance Sheet Arrangements**

None

### **Related Party Transactions**

The key management personnel of the Company, which are defined by IFRS 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.

Effective from November 14, 2017 the Company entered into an agreement with Twenty-Second Yeneb Pty Limited, a company controlled by John Byrne, President and CEO of the Company for the provision of services of John Byrne and for the services of Kesh Thurairasa as CFO and Corporate Secretary. Total amount charged for the period amounted to \$42,000.

At August 31, 2018 Kalina Power Ltd was owed \$134,035 by Consolidated Potash Corporation Limited. Interest payable at 10% per annum amounted to \$3,090. John Byrne is the Executive Chairman of Kalina Power Ltd.

### **Critical Accounting Estimates and Judgements**

The preparation of the Company's interim consolidated financial statements in accordance with IFRS requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Key areas of estimation where management has made complex or subjective judgments include:

*(i) Fair value of financial liability*

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

*(ii) Share-based payment transactions*

Under IFRS 2 Share Based Payments, the consolidated entity must recognise the fair value of shares granted to directors, employees and consultants as remuneration as an expense on a pro-rata basis over the vesting period in profit or loss with a corresponding adjustment to equity.

The consolidated entity provides benefits to employees (including directors) of the consolidated entity in the form of share based payment transactions, whereby employees render services in exchange for shares of rights over shares (“equity-settled transactions”).

Estimating fair value of share-based payment transactions requires determination of the most appropriate valuations model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a binominal model for the options.

### Share Information

	<b>Issued</b>	<b>Authorized</b>
<b>Share Capital</b>		
Common Shares	41,731,659	Unlimited
Common Shares – Held in escrow	55,572,814	
Preferred Shares	Nil	unlimited
Total Common Shares	<u>97,304,473</u>	
<b>Stock Options</b>	150,000	Rolling 10% plan
<b>Warrants</b>	<u>13,750,000</u>	
<b>Total Share Capital</b>		
- on a fully diluted basis	<u>111,204,473</u>	

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 August 31, 2018, 55,572,814 (May 31, 2018: 55,572,814) common shares were held in escrow by the Company's transfer agent to be released in accordance with the escrow agreements entered into by the shareholders. In addition of the 500,000 common shares held in escrow prior to the closing of the QT, 10% (50,000) were released at the closing of the QT on 14 November 2017 and the balance will be released on the same terms as the Pan Andean purchase shares. Under the escrow agreements, 10% of the common shares issued to purchase Pan Andean were released on 14 November 2017 with an additional 15% to 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 July 6, 2018, the Company issued 9,015,067 common shares at deemed price of \$0.11 to the creditors acquired from Montan Mining Corp (Montan).

### **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 completed its Qualifying transaction on November 14, 2017 and since that date has continued as an investment issuer. Its active business comprises of investing in publically listed securities and private companies in both Canada and Australia.

The Company manages risks on corporate investments through its approach to planning, setting of investment criteria, performance of due diligence on investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. The Company seeks to mitigate company specific business risk by investing, where possible, in the highest ranking securities in the capital structure, so as to rank a head of the common shares of the issuer. The Company seeks to mitigate credit risk by investing, where possible, in senior debts securities and /or by limiting the amount of debt that may rank ahead of, or pari passu to, the securities being purchased.

The Company seeks to mitigate interest rate risk by investing relatively short duration convertible debentures and conventional debt – typically no longer than three years in term, The Company considers exposure to foreign currency assets as a hedge against the possible decrease in the value of the Canadian dollar

For a discussion of the additional risks and uncertainties which may have an impact on the Company, readers are referred to the Company's Filing Statement dated September 28, 2017 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.