

Lions Bay Capital Inc.

Consolidated Financial Statements
Expressed in Canadian Dollars

For the Year Ended May 31, 2018

To the Shareholders of Lions Bay Capital Inc.

We have audited the accompanying consolidated financial statements of Lions Bay Capital Inc for 31 May 2017 and 31 May 2018, which comprise the statements of financial position as at year end and comparative year end and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 overall presentation of the consolidated 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 Company as at year end 31 May 2018 and comparative year end 31 May 2017, its financial performance and its cash flows for the years then ended 31 May 2018 and comparative year ended 31 May 2017, in accordance with International Financial Reporting Standards.

(signed) "BDO East Coast Partnership"

Chartered Professional Accountants

Melbourne, Australia
27 September 2018

Lions Bay Capital Inc.
 Statements of Financial Position
 Expressed in Canadian Dollars

	As at May 31 2018 \$	As at May 31 2017 \$
Assets		
Current Assets		
Cash	57,568	138,436
Other receivables (note 5)	605,871	277,276
Investments (note 6)	5,184,979	1,981,335
Derivative financial instrument	-	26,945
Total Current Assets	5,848,418	2,423,992
Non-Current Assets		
Exploration and Evaluation	1,265,998	-
Deferred tax assets (note 11)	-	134,681
	1,265,998	134,681
Total Assets	7,114,416	2,558,673
Liabilities and Shareholders' Equity		
Current Liabilities		
Trade and other payables	364,957	1,237,371
Borrowings (note 7)	1,191,501	1,621,539
Total Current Liabilities	1,556,458	2,858,910
Non-Current Liabilities		
Borrowings related party (note 8)	139,168	-
Deferred tax liability (note 11)	463	-
Total non-Current Liabilities	139,631	-
Total Liabilities	1,696,089	2,858,910
Shareholders' Equity		
Share capital (note 9)	4,224,835	2
Share based payment reserve	246,585	37,290
Foreign currency translation reserve	(3,538)	(2,342)
Accumulated profit/(deficit)	530,725	(335,187)
Attributable to owners of parent	4,998,607	(300,237)
Non-controlling interest	419,720	-
Total equity	5,418,327	(300,237)
Total Liabilities and Shareholders' Equity	7,114,416	2,558,673

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

On behalf of the Board of Directors

"John Byrne"

Director

"Ross MacLachlan"

Director

Lions Bay Capital Inc.
 Statements of Profit or Loss and Other Comprehensive Income
 Expressed in Canadian Dollars

	Year ended May 31 2018 \$	Year ended May 31 2017 \$
NET REALISED AND UNREALISED GAIN/(LOSS)		
Net realized gain/(loss) on disposal of marketable securities	-	248,424
Net change in unrealized gain/(loss) on marketable securities	2,373,603	(327,726)
OTHER INCOME		
Interest and other income	87,695	23,547
Expenses		
Professional fees	344,466	80,951
Directors fees	85,109	4,978
Travel expenses	208,537	-
Impairment of derivatives	25,838	-
Listing expenses recognized on acquisition	357,227	-
Value of stock options issued	190,000	-
Financing costs	194,127	158,354
Research and development expenses	49,284	-
General and administrative	102,343	-
Total expenses	1,556,931	244,283
Profit/(loss) before tax	904,367	(300,038)
Income tax (expense)/recovery	(132,761)	94,184
Profit/(loss) after tax	771,606	(205,854)
Share of non-controlling interest loss	94,306	-
	865,912	(205,854)
Other comprehensive income/(loss) net of tax	(1,196)	(2,342)
Net income/(loss) and total comprehensive income	864,716	(208,196)
Profit/(loss) per common share (note 16)		
- Basic	\$0.0183	\$(41,171)
- Diluted	\$0.0160	\$(41,171)
Weighted average number (note 16) of common shares		
- Basic	47,243,299	5
- Diluted	54,229,601	5

The accompanying notes are an integral part of these financial statements

Lions Bay Capital Inc.
Statements of Changes in Equity
Expressed in Canadian Dollars

	Number of Shares	Share capital \$	Foreign currency translation reserve \$	Share based payment reserve \$	Accumulated deficit \$	Attributable to owners of the parent \$	Non- controlling interest \$	Total \$
Balance – May 31, 2016	2	2	-	37,290	(129,333)	(92,041)	-	(92,041)
Movement in foreign currency values	-	-	(2,342)	-	-	(2,342)	-	(2,342)
Loss for the period	-	-	-	-	(205,854)	(205,854)	-	(205,854)
Balance – May 31, 2017	2	2	(2,342)	37,290	(335,187)	(300,237)	-	(300,237)
Balance – May 31, 2017	2	2	(2,342)	37,290	(335,187)	(300,237)	-	(300,237)
Elimination of issued capital of Pan Andean	(2)	(2)	-	-	-	-	-	-
Issue of ordinary shares net of transaction cost (note 9c)	88,289,406	4,224,835	-	-	-	4,224,835	-	4,224,835
Stock options issued	-	-	-	190,000	-	190,000	-	190,000
Minority interest on acquisition of Consolidated Potash Corporation	-	-	-	-	-	-	514,026	514,026
Movement in foreign currency values	-	-	(1,196)	-	-	(1,196)	-	(1,196)
Deemed fair value of consideration to Pan Andean shareholders on reverse acquisition	-	-	-	19,293	-	19,293	-	19,293
Profit/(loss) for the period	-	-	-	-	865,912	865,912	(94,306)	771,606
Balance – May 31, 2018	88,289,406	4,224,835	(3,538)	246,583	530,725	4,998,607	419,720	5,418,327

The accompanying notes are an integral part of these financial statements

Lions Bay Capital Inc.
Statements of Cash Flows
Expressed in Canadian Dollars

	Year ended May 31 2018 \$	Year ended May 31 2017 \$
Operating Activities		
Net Profit/(loss) after tax	771,606	(205,853)
Deduct/add Non-Cash & Other Items:		
Net realized (gain) on disposal of investments	-	(248,424)
Change in unrealized (gain) on investments	(2,373,603)	327,726
Equity based payments	190,000	-
Listing expenses recognised on acquisition	357,227	-
Impairment of derivatives	25,838	-
Exchange variation	15,272	27,658
Interest received and receivable	(131,478)	(23,547)
Movement in tax balances	132,761	(94,183)
Withholding tax paid	-	(295)
Loan to related entities	-	(196,308)
Payment for deposits	(26,000)	-
Changes in Non-Cash Working Capital:		
(Increase)/decrease in receivable	(19,326)	-
(Increase)/decrease in trade and other payable	191,105	156,245
Payment for debt acquired	(27,106)	-
Proceeds from disposal of marketable securities	-	805,985
Loan to others	(740,000)	-
Purchase of derivatives	-	(27,773)
Purchase of investments	(391,940)	(636,737)
	(2,797,250)	90,345
Cash Flows From (Used In) Operating Activities	(2,025,644)	(115,506)
Financing Activities		
Issuance costs		
Cash balance on acquisition of Lions Bay Capital	923,741	-
Cash balance on acquisition of Consolidated Potash Corporation	11,535	-
Proceeds from loan	1,200,000	497,823
Repayment of loan	(190,500)	(243,933)
	1,944,776	253,890
Net increase/(decrease) in cash	(80,868)	138,384
Cash - Beginning of period	138,436	52
Cash - End of period	57,568	138,436

The accompanying notes are an integral part of these financial statements

1. Nature of Operations and Going Concern

Nature of Operations

Lions Bay Capital Inc. (the Company) was formed as a Capital Pool Company in 2010 and completed its Qualifying Transaction on November 14, 2017 with Pan Andean Capital Pty Limited ("Pan Andean"). Pan Andean was established as an investment holding company and commenced its current business operations in October 2014.

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.

The principal place of business is Ground Floor, 585 Burwood Road, Hawthorn, Victoria, 3122, Australia.

2. Basis of presentation

Reporting and Basis of Measurement

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

These financial statements were authorized for issuance by the Board of Directors of Lions Bay Capital Inc. on September 27 2018. The following are the significant accounting policies used in the preparation of these financial statements.

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 May 2017 represents the consolidation of Pan Andean as the accounting acquirer of Lions Bay.

Consolidated Statements of Profit or Loss and Comprehensive Income

The 2018 Statement of Profit or Loss and Other Comprehensive Income for 12 months comprises of 12 months of Pan Andean being 31 May 2018 and the period from 14 November 2017 until 31 May 2018 of Lions Bay. The 2017 Statement of Profit or Loss and Other Comprehensive Income comprises the full 12 months comparative of Pan Andean only.

Consolidated Statement of Changes in Equity

The May 2018 Statement of Changes in Equity comprises:

- The equity balance of Pan Andean at the beginning of the period (31 May 2017)
- The total comprehensive income for the period and transactions with equity holders, being 12 months from Pan Andean to 31 May 2018 and period from 14 November 2017 until 31 May 2018 of Lions Bay.
- The equity balance of the consolidated group comprising Pan Andean and Lions Bay at the end of 31 May 2018.

2. Basis of presentation (cont'd)

Consolidated Statement of Changes in Equity (Cont'd)

- The 2017 Statement of Changes in Equity comprises the period for Pan Andean for the 12 months to 31 May 2017.

Statement of Cash Flows

The 2018 Statement of Cash Flows comprises:

- The cash balance of Pan Andean at the beginning of the period (31 May 2017)
- The transactions for the period for 12 months of Pan Andean to 31 May 2018 and period from 14 November 2017 until 31 May 2018 of Lions Bay.
- The cash balance of the consolidated entity comprising of Pan Andean and Lions Bay at the end on 31 May 2018.
- The 2017 Statement of Cash Flows comprises 12 months of Pan Andean to 31 May 2017.

Foreign currency translation

(i) Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements of Lions Bay Capital Inc (the parent entity of the Group) are measured in Canadian Dollars (CAD) which is that entity's functional currency.

(ii) Presentation currency

The consolidated financial statements are presented in Canadian Dollars, which is the Group's presentation currency.

(iii) Translation and balances

Transactions in foreign currencies are converted to the functional currency at the exchange rate at the date of the transaction. Amounts payable to and by the Group outstanding at reporting date and denominated in foreign currencies have been converted to local currency using rates prevailing at the end of the financial year. All exchange differences are taken to profit or loss.

(iv) Group companies

The results of foreign subsidiaries and the parent entity are translated to CAD at the exchange rate at the date of the transaction. Assets and liabilities of foreign subsidiaries are translated to CAD at exchange rates prevailing at balance date. All resulting exchange differences are recognised in other comprehensive income and in the foreign currency translation reserve in equity.

(v) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences on translation of foreign controlled subsidiaries. Amounts are reclassified to profit or loss when the investment is disposed of.

Going concern

At the reporting date the consolidated entity had a cash balance of \$57,568 and net current assets of \$4,291,960 including liquid investments amounting to \$5,184,979. 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.

3. Summary of Significant Accounting Policies (Cont'd)**Critical Accounting Estimates and Judgements**

The preparation of the Company's 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) Income Tax

The group is subject to income taxes in the jurisdiction in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which determination is made.

(iii) 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 binomial model for the options. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

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

Principals of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent company, Lions Bay Capital Inc and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 20.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation.

Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group. Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”.

The Group initially recognise non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss each component of other comprehensive income.

Non-controlling interests are shown separately within the equity section of the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive income.

Financial instruments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

3. Summary of significant accounting policies (cont'd)**Fair value measurement**

The fair value measurements underlying the carrying value of the investments and marketable securities are classified within a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy has the following levels:

- | | | |
|-------|---------|---|
| (i) | Level 1 | Quoted prices (unadjusted) in active markets for identical assets or liabilities. The type of investment and marketable securities include in this category are publicly traded equities, debts and securities sold short; |
| (ii) | Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the assets, either directly or indirectly. The type of investments included in this category include less liquid and restricted equity securities and certain over-the-counter derivatives; and |
| (iii) | Level 3 | Inputs for the assets or liability that are not based on observable market data. Investments classified within this category consist of private equity and debts securities. |

See Note 14, Fair Value measurement, for additional disclosure of the Company's investments and marketable securities by the level in the fair value hierarchy into which the fair value measurement is categorized and the Company's valuation techniques that involve unobservable inputs.

Cash and cash equivalents

Cash consists of deposits held with financial institution and cash equivalents consist of bank term deposits with original maturities of three months or less.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

The carrying value relating to an area of interest is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

3. Summary of significant accounting policies (cont'd)

Impairment of non-financial assets

The carrying values of non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

3. Summary of significant accounting policies (cont'd)**Revenue recognition**

Realized gain or loss on disposal of investments and marketable securities and unrealized gain or loss on investments and marketable securities are determined based on year end value. Interest income is recorded on an accrual basis. Divided income is recognized on the ex-dividend date.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated using the weighted average number of shares that would have been outstanding during the period had all potential common shares been issued at the beginning of the period, or when other potential dilutive instruments were granted or issued, if later. Refer to Note 16 for specific disclosure on earnings (loss) per share.

Income Tax

Income tax expense is composed of current and deferred tax. Income tax expenses recognized in the Statements of Income (loss) and Comprehensive Income (loss) except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, and the carry forward of non-capital losses, can be utilized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered and/or the carrying value of temporary differences exceed their tax basis. Refer to Note 11 for specific disclosure on income taxes.

3. Summary of significant accounting policies (cont'd)

Future accounting changes

The Company continues to monitor the potential changes proposed by the IASB and considers the impact changes in the standards would have on the Company's operation.

IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB issued IFRS 9, which will replace IFRS 39, *Financial Instruments: Recognition and Measurement* ("IFRS 39"). IFRS 9 requires financial instrument classification and related measurement practice to be based primarily on an entity's business model objectives when managing those financial assets and on the extent to which contractual cash flows exist within the financial assets. The standard also introduces a new expected loss impairment model and new hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company plans to adopt the new standard on the required effective date.

During 2017, the Company assessed all the three aspects of IFRS 9 and does not expect the standard to have material impact on the measurement basis of the financial assets of the Company. The Company expects to continue measuring at fair value all financial assets currently held at FVTPL. Debt securities are expected to be measured at FVTPL under IFRS 9 as the Company does not expect to hold the asset to collect contractual cash flows. The Company will adopt this standard from 1 June 2018 and the impact of its adoption is expected to be minimal on the company.

The Company does not have any hedge relationships that qualify for the hedge accounting under IFRS 39; therefore, application of the hedging requirements of IFRS 9 will have no impact.

IFRS 15, Revenue from Contracts with Customer ("IFRS 15")

In May 2014, the IASB issued IFRS 15, which establishes a five-step model that will apply to revenue earned from a contract with customer, regardless of the type of revenue transaction or the industry. The standard's requirement will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has assessed the impact of the implementation of IFRS 15 and has determined that there is an insignificant impact of applying the new standard.

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which replaces the previous lease standard and related interpretations. The new standard requires all leases, other than short-term leases, to be reported on-balance sheet through recognition of a right-of-use asset and a corresponding liability for future lease obligations. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has determined that there is an insignificant impact of applying the new standard.

Lions Bay Capital Inc.
Notes to the Consolidated Financial Statements
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4. Impairment

As at May 31, 2018, there were no interest or other receivables identified as impaired [2017 – nil].

Refer to Note 13 on credit risk, which discusses how the Company seeks to mitigate credit risk where possible.

5. Other Receivables

The table below provides a summary of the Company's other receivables:

	May 31 2018	May 31 2017
	\$	\$
Loan receivable from Aqua Guardian Group-unsecured (i)	-	226,374
Loan receivable from Lions Bay Capital Inc-unsecured (ii)	-	50,605
Loan receivable from Montan Mining Corp-unsecured (iii)	575,950	-
Withholding tax	293	297
GST Receivable	3,628	-
Security deposit	26,000	-
	<u>605,871</u>	<u>277,276</u>

(i) Interest payable at 10%, (ii) Interest payable at 10%, (iii) interest payable at 6%

6. Schedule of investments

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

	Cost	Fair Value May 31 2018	Cost	Fair Value May 31 2017
	\$	\$	\$	\$
Kalina Power Ltd	1,142,227	327,446	1,179,491	924,942
Jervois Mining Ltd	465,714	3,058,645	295,070	284,142
Golden Reign Resources Ltd	622,062	623,040	626,346	584,100
Verdant Mining Ltd	209,414	175,848	210,730	188,151
Eurotin Inc	700,000	1,000,000	-	-
Total	<u>3,139,417</u>	<u>5,184,979</u>	<u>2,311,637</u>	<u>1,981,335</u>

Lions Bay Capital Inc.
Notes to the Consolidated Financial Statements
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7. Borrowings - current

	May 31 2018	May 31 2017
	\$	\$
Borrowings – secured (i)	1,034,241	-
Borrowings – unsecured (ii)	157,260	1,621,539
	1,191,501	1,621,539

- (i) The loan facility has a term of five years with the initial tranche of \$1,000,000 being repayable within one year in instalments of \$250,000 plus accrued and outstanding interest 120 days from the initial advance, \$150,000 plus accrued and outstanding interest 180 days from the initial advance, \$250,000 plus accrued and outstanding interest 270 days from the initial advance and the remaining balance plus any accrued and outstanding interest twelve months from the initial advance. The loan bears interest at 12% per annum and is subject to implementation fees of 5% on each advance and a commitment fee of \$25,000. The loan is secured by a guarantee from the Company's wholly owned subsidiary, Pan Andean and a pledge by Pan Andean of certain of the investments held by Pan Andean
- (ii) Interest payable at 8% per annum (2017: 10%)
- (iii) Prior year unsecured borrowings was settled as part of the reverse acquisition with the issue of Lions bay shares.

8. Borrowings - non-current

	May 31 2018	May 31 2017
	\$	\$
Borrowings related party – unsecured (i)	139,168	-
	139,168	-

- (i) Interest payable at 10% per annum payable after one year. The loan is payable to Kalina Power Ltd from Consolidated Potash Corporation Limited, a controlled entity of the Company. J Byrne is the Executive Chairman of Kalina Power Ltd.

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9. 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:

(i) As outlined in note 2, as result of acquisition of Pan Andean, the 31 May 2017 comparatives represents the consolidation of Pan Andean as the accounting acquirer of Lions Bay. The 500,000 common shares held in escrow are therefore not presented in the prior year comparatives. At May 31, 2017, in Lions Bay 500,000 common shares were held in escrow by the Company's transfer agent to be released in accordance with the Capital Pool Company 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 qualifying transactions (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.

(ii) At May 31, 2018, 55,572,814 (May 31, 2017: 500,000) 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 November 14, 2017, the Company issued 61,747,571 common shares at deemed par price of \$0.05 to the vendors of Pan Andean Capital Pty Ltd to complete the acquisition. Further on the same day the company closed a non-brokered private placement consisting of 18,340,000 common shares at a price of \$0.05 per share for gross proceeds of \$917,000. Further on 10 January 2018, the company issued 4,166,667 shares at 12 cents to acquire \$500,000 debt in Eurotin Inc from Mark Wellings which was then converted to 9,523,810 shares in Eurotin Inc.

	Full year to 2018		Full year to 2017	
	No	\$	No	\$
Ordinary shares – Fully paid				
Balance at the beginning of the year	2	2	2	2
Elimination of issued capital of Pan Andean	(2)	(2)	-	-
Lions Bay capital at pre-acquisition	4,035,168	-	-	-
Private placement	18,340,000	917,000	-	-
Issue of shares to acquire Wellings debt (c)	4,166,667	500,000	-	-
Shares issued to PAC vendors and creditors on reverse acquisition	61,747,571	-	-	-
Deemed fair value of consideration to PAC shareholders on reverse acquisition	-	2,807,835	-	-
Balance at the end of the year	88,289,406	4,224,835	2	2

d) Acquisition of Pan Andean Capital Pty Ltd

On 14 November 2017 Lions Bay Capital completed the legal acquisition of Pan Andean Capital. Under IFRS 3, Pan Andean is deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a share based payment by which Pan Andean acquires the net assets and listing status of Lions Bay.

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The purchase consideration for the acquisition of Lions Bay by the shareholders of Pan Andean under reverse acquisition accounting was the issue of 61,747,571 shares at a value per share of \$0.05 to the former shareholders and creditors of Pan Andean determined as follows:

(i) *Deemed consideration*

	Shares	Value per share	CAD
Share consideration	61,747,571	0.05	3,087,378
Reverse acquisition adjustment			<u>656,749</u>
Total consideration			<u>3,744,127</u>

(ii) *Lions Bay Capital Inc Share based payment – listing expense*

	CAD
Deemed share consideration	3,744,127
Less net assets of Lions Bay Capital pre-acquisition	<u>(3,724,834)</u>
Total listing expense on completion of acquisition transaction	<u>19,293</u>

	CAD
Cash and cash equivalents	923,741
Other receivables	<u>3,034,560</u>
Total assets	3,958,301
Trade and other payables	<u>(233,467)</u>
Net assets on completion of transaction	<u>3,724,834</u>

Lions Bay Capital Inc.

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10. Stock Options and Warrants

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.

On 14 November, 2017 the Company issued 10 million warrants exercisable at \$0.05 to John Byrne as part of the qualifying transactions. The warrants expire on 1 February, 2020.

The following is a summary of the stock and warrant option activity under Company's Stock Option Plan as at May 31, 2018 and 2017.

	2018		2017	
	Number of options	Exercise price \$	Number of option	Exercise price \$
Options outstanding beginning of the year	150,000	0.20	150,000	0.20
Options cancelled	-	-	-	-
Options outstanding May 31	150,000	0.20	150,000	0.20

	2018		2017	
	Number of warrants	Exercise price \$	Number of warrants	Exercise price \$
Warrants outstanding , beginning of the year	-	-	-	-
Warrants granted	10,000,000	0.05	-	-
Warrants granted	3,750,000	0.12	-	-
Warrants cancelled	-	-	-	-
Warrants outstanding May 31	13,750,000	05 & 12	-	-

The following table summarizes stock options and warrants currently outstanding and exercisable:

Exercise price \$	Number of options and warrants outstanding	Weighted average remaining life (years)	Number of options and warrants exercisable	Expiry date
0.20	Options - 150,000	2.99	150,000	Nov 23, 2020
0.05	Warrants - 10,000,000	2.22	10,000,000	Feb 1, 2020
0.12	Warrants - 3,750,000	0.79	3,750,000	Mar 14, 2019

10. Stock Options and Warrants (cont'd)

The fair value of the warrants is estimated at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the warrants were granted.

For the warrants granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date \$
11/14/2017	2/1/2020	5 cents	5 cents	59.55%	Nil	1.41%	190,000
3/15/2018	3/14/2019	12 cents	12 cents	3.69%	Nil	1.80%	315,589

Accounting policy for share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognized in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

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10. Stock options and Warrants (cont'd)

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

11. 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 and Australia. Based on its likely future income the Company has for the first time has recognised deferred tax assets and deferred tax liabilities

	2018	2017
	\$	\$
Profit/(Loss) before tax per the accounts	904,367	(300,037)
income taxed at local statutory rates - 27% (2017: 30%)	244,179	(90,011)
Tax losses carried forward	(244,179)	90,011
Add: adjustment for overseas tax rate	-	-
<i>Tax losses carried forward</i>		
Tax expense/(benefit) - Pan Andean Capital Pty Ltd	132,761	(94,184)
Tax losses utilised	-	-
Tax expense/(benefit) - Lions Bay Capital Inc.	-	-
Income tax expense/(benefit)	132,761	(94,184)

The Canadian Federal corporate tax rate remained at 15.00% and the British Columbia provincial tax rate remained at 11.00%. The tax rate of the subsidiaries operating in Australian remained at 30.00%.

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, 2018 and May 31, 2017 are summarized as follows:

	2018	2017
	\$	\$
Deferred tax assets:		
-Tax loss	86,987	19,613
Investments	-	99,090
Forex variance	-	15,978
-Provisions	832	-
Deferred tax liabilities:		
-Investments	(84,937)	-
-Forex variance	(3,345)	-
Deferred tax asset/(liability) at year end	(463)	134,681

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12. Financial assets & financial liabilities

The following tables present the carrying amounts of the Company's financial assets and financial liabilities by category:

As at May 31 2018	Held for Trading	Loan, Receivable & Other Liabilities	Total
	\$	\$	\$
Assets			
Investments	5,184,979	-	5,184,979
Cash	-	57,568	57,568
Other receivables	-	605,871	605,871
Total Financial Assets	5,184,979	663,439	5,848,418
Liabilities			
Accounts payables	-	364,957	364,957
Borrowings	-	1,191,501	1,191,501
Borrowings related party	-	139,168	139,168
Total Financial Liabilities	-	1,695,626	1,695,626

As at May 31 2017	Held for Trading	Loan, Receivable & Other Liabilities	Total
	\$	\$	\$
Assets			
Investments	1,981,335	-	1,981,335
Cash	-	138,436	138,436
Other receivables	-	277,276	277,276
Derivative financial interest	26,945	-	26,945
Total Financial Assets	2,008,280	415,712	2,423,992
Liabilities			
Accounts payables	-	1,237,371	1,237,371
Borrowings	-	1,621,539	1,621,539
Total Financial Liabilities	-	2,858,910	2,858,910

For the year ended May 31, 2018, the total of the change in unrealized gain and realized gain (loss) of financial assets classified as HFT was \$2,373,603 (2017: loss \$327,726)

13. Risk Associated with Financial Instruments

The Company's business activities expose to a variety of financial risks: market risk (which includes interest rate risk, currency risk, and price risk), credit risk and liquidity risk. The following is a description of these risks and how they are managed.

a) Market risk

Market risk is defined for these purpose as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. Market risk included the risk of changes in the interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates, such changes in equity prices, commodity prices or credit spreads.

Interest rate risk

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include change in net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in value of financial instruments whose cash flows are fixed in nature.

As at May 31, 2018, if interest rates were higher by 1% per annum, the potential effect to the Company would a decrease in net income of approximately \$1,304 (2017: \$27,781). If interest rates were lower by 1% per annum, the potential effect would increase in net income of approximately \$1,304 (2017: \$27,781).

Currency risk

Changes in currency rates will impact the carrying value of instruments denominated in currencies other than the Canadian dollar. As at May 2018, the Company is primarily exposed to foreign exchange risk through Australian dollar denominated investments of \$3,609,582 (2017: \$2,558,673), which represent approximately 48.9% (2017: 54.6%) of total assets. The Company does not currently hedge its foreign currency exposure. If the Canadian dollar strengthened or weakened by 5% in relation to the foreign currencies, the investments would decrease or increase in value by approximately \$178,096 respectively (2017: \$69,862).

Price risk

Price risk is the risk of variability in fair value due to movements inequity or market prices. The Company's marketable securities and investments are susceptible to price risk arising from uncertainties about their future values. If the fair value for these financial assets were to increase or decrease by 10%, the Company would incur an associated increase or decrease in net gain of approximately \$518,608 (May 31, 2017: \$198,076)

Refer to the Schedule of Investments and Notes 5 and 6 for additional details regarding the fair value of marketable securities and investments, respectively.

13. Risk Associated with Financial Instruments (cont'd)

b) Credit risk

Credit risk is the risk of loss due to the failure of borrower or counterparty to fulfill its contractual obligations. The Company's exposure to credit risk principally arises from the risk of non-payment of its debt investments or the interest due on debts provided to portfolio companies and its cash deposit held with a financial institution.

The table below analyzes the Company's maximum expose to credit risk at the reporting date:

As at May 31 2018	2018	2017
	\$	\$
Cash and cash equivalents	57,568	138,436
Other receivables	605,871	277,276
	663,439	415,712

Cash deposits are held through a large Canadian bank with a credit rating of AA and large Australian bank with credit rating of Aa2.

The Company's other receivable primarily include an amount of \$575,950 advanced to a growth company in mining with no collateral held. In the event of a default on the loan, the Company will bear a risk of loss of principal and accrued interest. The credit quality of this debt is based on the financial performance of the underlying business.

c) Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund an obligation as it comes due. The Company aims to invest principally in private companies with a medium to long-term investment horizon. These investments are inherently illiquid. Capital invested and potential capital gains are only realized when the investment is partially or fully sold, either through an M&A or IPO transaction, which can take years to materialize. For the majority of its investments, the Company has little to no control over the timing and management of the ultimate liquidity events.

The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. As a May 31, 2018, the Company's liquidity risk consists of its accounts payable and accrued liabilities accrued interest on borrowings and the principal amount of its borrowings, which are due within 12 months of May 31, 2018.

The following are the contractual maturities of financial liabilities including estimated interest payments:

Lions Bay Capital Inc.

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13. Risk Associated with Financial Instruments (cont'd)

c) Liquidity risk (cont'd)

As at May 31 2018	Less than one year	One to three years	Over three years	Total
	\$	\$	\$	\$
Financial Liabilities				
Accounts payable and accrued liabilities	364,957	-	-	364,957
Borrowings	1,191,501	-	-	1,191,501
Borrowings related party	-	139,168	-	139,168
	1,556,458	139,168	-	1,695,626

As at May 31 2017	Less than one year	One to three years	Over three years	Total
	\$	\$	\$	\$
Financial Liabilities				
Accounts payable and accrued liabilities	24,035	-	-	24,035
Other payables	1,213,336	-	-	1,213,336
Borrowings (i)	1,621,539	-	-	1,621,539
	2,858,910	-	-	2,858,910

- (i) This reflects the debt owed by Pan Andean which was settled with the issue of Company's shares at the time of reverse takeover.

Risk management

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.

14. Fair value measurement

The following tables summarize the valuation of the Company's financial assets and liabilities reported at fair value by the fair value hierarchy levels described in Note 2, Summary of Significant Account Policies:

As at May 31 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	5,184,979			5,184,979
	5,184,979			5,184,979

As at May 31 2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	1,981,335	-	-	1,981,335
Derivatives	-	-	26,945	26,945
	1,981,335	-	26,945	2,008,280

Transfers between levels of the fair value hierarchy are deemed to have occurred to have occurred at the date of the event or change in circumstance that caused the transfer. There were no transfers between the various levels of the fair value hierarchy for the years ended May 31, 2018 and 2017.

Fair value estimation

On a quarterly basis, the Company utilizes a valuation committee, consisting of members from management, investment and finance, to review and approve the valuation results of every position in the portfolio. The Company may also engage an independent valuation firm to perform an independent valuation in situations where it requires additional expertise. The valuation results are reviewed with the audit committee as part of its quarterly approval of the company's financial statements.

The fair value of the Company's marketable securities and investments are determined as follows:

Listed securities

The fair value of securities traded inactive markets are based on quoted market prices at the close of trading on the reporting date. The Company uses the last traded market price where the last trade price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The fair value of securities that are subject to trading restrictions are recorded at a value that takes into account the length and nature of the restrictions.

14. Fair value measurement (cont'd)

Fair value estimation (cont'd)

Unlisted securities

For investments that are not publicly traded, subsequent to initial recognition, the fair value of these investments is determined by the Company using the most appropriate valuation methodology in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio.

For unlisted equity instruments:

- Investments are valued at cost for a limited period after the date of acquisition, if the purchase price remains representative of the fair value at the reporting date; otherwise, investments are valued using one of the other methodologies detailed below.
- Investments in which there has been recent or in-progress funding round involving significant financing from external investors are valued at the price of the recent funding, whereby the various shareholder categories rights are taken into account in the valuation. The price is adjusted, where appropriated, if an external investor is motivated by strategic considerations.
- Investments in which there has been a recent financing round involving only existing investor participating proportionally to their existing investment are examined as to whether specific conditions exist that could reduce the reliability of this financing round as an indication of real value. An internal financing with investors at a lower price than the valuation at the previous reporting date may indicate a decrease in value and is taken into consideration.
- Investments that have achieved an exit after the valuation date but before finalization of the financial statements are valued based on the exit valuation, if the exit valuation was reasonably evident at the measurement date.
- Investment in which there has been a recent private secondary market trade of meaningful volume and the transaction is undertaken by sophisticated, arm's length investor are valued at the price of the recent trade and are adjusted, as appropriated, if the purchaser is motivated by strategic considerations.
- Investments in early-stage companies not generating sustainable revenue or earnings and for which there has not been any recent independent funding are valued using alternative methodologies. The Company considers investee company performance relative to plan, going concern risk, continued funding availability, comparable peer group valuations, exit market conditions and general sector conditions and calibrates its valuation of each investment as appropriate.

14. Fair value measurement (cont'd)

Fair value estimation (cont'd)

- For public company warrants (i.e., the underlying security of which is traded on a recognized stock exchange), valuation models such as the Black-Scholes model are used when there are sufficient and reliable observable market inputs. These market inputs include risk-free interest rate, exercise price, market price at date of valuation, expected dividend yield, expected life of the instrument and expected volatility of the underlying security. To the extent that the market inputs are insufficient or unreliable, the warrants are valued at their intrinsic value, which is equal to the higher of the closing price of the underlying security less the exercise price of the warrant, or nil. For private company warrants, the underlying security is not traded on a recognized stock exchange, therefore fair value is determined consistent with other investments that do not have an active market, as described above.

Fair values for unlisted debt instruments are determined as follows:

- Loans, debentures and promissory notes issued by investees are generally valued at the price at which the instrument was issued. The Company regularly considers whether any indications of deterioration in the value of the underlying business exist, which suggest that the debt instrument will not be fully recovered. The Company may employ discounted cash flow analysis, market comparable analysis, market comparable analysis of listed debt instruments with similar credit quality or liquidation value analysis to determine the fair value of the debt instrument.

The Company may apply a further illiquidity discount to the fair value of an investment if conditions exist that could make it challenging to monetize the investment in the near term at a price indicated by the valuation models. The amount of illiquidity discount applied requires considerable judgment and is based on the facts and circumstances of each investment.

15. Capital management

The Company's objectives in managing capital are to maintain a capital structure that allows the Company to meet its growth objectives and build long-term shareholder value, while satisfying its financial obligations and meeting its working capital needs.

The Company's capital consists of shareholder's equity and borrowings. The Company's management is responsible for the management of capital. The Company's Board of Directors is responsible for reviewing and approving the Company's capital policy and management.

The Company continued to prudently manage its liquidity and capital and, where desirable, de-leveraged its statement of financial position.

The Company does not have any externally imposed capital requirements.

15. Capital management (cont'd)

The Company's capital consists of the following:

As at May 31 2018	2018	2017
	\$	\$
Shareholders' equity (i)	4,224,835	2
Borrowings	1,330,669	1,621,539
Total capital	5,555,504	1,621,541

(i) As a result of reverse takeover, 2017 figures reflect that of Pan Andean Capital

16. Basic and diluted loss per share

The following table presents the calculation of basic and fully diluted income (loss) per common share for the years ended May 31

	2018	2017
	\$	\$
Basic earnings/(loss) per share		
Net profit/(loss) (i)	865,912	(205,853)
Weighted average common shares	47,243,299	5
Basic earnings/(loss) per share	0.0183	(41,171)
Fully diluted income (loss) per share		
Net profit/(loss)	865,912	(205,853)
Weighted average common shares taking into effect dilutive stock options	54,229,601	5
Fully diluted earnings/(loss) per share	0.0160	(41,171)

(ii) As a result of reverse takeover, 2017 figures reflect that of Pan Andean Capital earnings and issued capital.

17. Compensation of key management

The remuneration of Directors and other key management personnel of the Company for the years ended May 31 was as follows:

	2018	2017
	\$	\$
Salaries	85,108	5,000
Stock options	190,000	-
Total Compensation	275,108	5,000

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18. Acquisition of Consolidated Potash Corporation Ltd

On 22 December 2017, the company effectively took control of Consolidated Potash Corporation Pty Ltd (CPC) as a result of debts amounting to C\$454,503 being converted to equity in CPC. The following tables detail the book values of the CPC and liabilities acquired. Pending finalization of the company's determination of the fair value of the acquired net assets, the difference between the purchase price and the fair value of the acquired net assets will be allocated to goodwill. As permitted by IFRS 3, all acquired assets and liabilities will be provisionally accounted for up to 12 months from acquisition date while the Company finalises its determination of the respective fair values and the identification of any further assets or liabilities acquired.

	Pre-acquisition carrying amounts (a) \$	Fair Value of adjustments (b) \$	Values recognised on acquisition \$
Cash and receivables	11,535	-	11,535
Exploration and evaluation	1,265,998	-	1,265,998
Trade and other payables and provisions	(318,482)	-	(318,482)
	959,051	-	959,051

Recognition of Controlling Interest in CPC

Fair value of consideration given for controlling interest:

Consideration made on December 22, 2017	452,265
Total	452,265
Fair value of non-controlling interest	513,188
Sub-total	965,453
Less fair value of net assets acquired	(959,051)
Goodwill written-off	6,402

- (a) Represents book values calculated in accordance with the accounting policies of CPC prior to acquisition by the company.
(b) Fair value adjustment for assets and liabilities acquired have yet to be determined.

19. 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.

On November 14, 2017, John Byrne and his related entities namely Arcourt Resources Pty Ltd, John Byrne Private Pension Fund, Camtan Pty Ltd and Twenty-Second Yeneb Pty Ltd received 7,601,554, 12,175,266, 430,000 and 33,161,378 common shares respectively in the company at \$0.05 per share. The total value of this qualifying transaction amounted to \$2,668,410.

Further the company issued 10 million stock options exercisable at \$0.05 to Twenty-Second Yeneb Pty Limited, a related entity of John Byrne. These options expire on 1 February 2020.

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 \$91,000.

At May 31, 2018 Kalina Power Ltd was owed \$138,168 by Consolidated Potash Corporation Limited. Interest payable at 10% per annum amounted to \$5,496. John Byrne is the Executive Chairman of Kalina Power Ltd.

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20. Interest in subsidiaries

	Country of Incorporation 2018	Equity holding	
		2018	2017
<i>Parent Entity:</i>			
Lions Bay Capital Inc	Canada	n/a	n/a
<i>Subsidiaries of Lions Bay Capital Inc:</i>			
Pan Andean Capital Pty Ltd	Australia	100	n/a
Its group entity being:			
Consolidated Potash Corporation Ltd	Australia	46.49%	n/a
Activated Water Technologies Pty Ltd	Australia	100	n/a

21. Subsequent events

On June 8, 2018, Montan Mining Corp (TSXV: MNY) obtained shareholder approval where by the Company and Montan will proceed to settle \$0.99m Montan indebtedness through issuance to the Company of 19,833,148 Montan common shares at a deemed price of \$0.05 per share. This share for debt transaction was completed on 6 July 2018.

On 22 June 2018 Montan Mining issued 3,100,000 units each comprising common shares at a deemed price of \$0.05 per share and warrants exercisable at \$0.06 for one year and settled \$155,000 debt owed to the Company. (note 5).

Further the Company issued 9,015,067 common shares on 6 July 2018 at a deemed price of \$0.11 per share to the debt holders from whom the settled Montan debt was purchased. (note 5).

On 6 July 2018 Montan Mining issued 4,780,000 units each comprising common shares at a deemed price of \$0.05 per share and warrants exercisable at \$0.06 for one year and settled \$239,000 debt owed to the Company.

As a result of the above transactions the Company owns 45.33% of Montan and has one board representative. Based on this the Company has concluded that it does not control Montan.

The Company has made an offer to purchase the balance of Consolidated Potash Corporation Limited that it does not already own through the issue of one new share for each Consolidated Potash Corporation Limited share. This transaction is subject to exchange approval.