

## **Lions Bay Capital Inc.**

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

For the quarter ended August 31, 2019

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim consolidated financial statements.

# Lions Bay Capital Inc.

Condensed Interim Statements of Financial Position  
(Unaudited – Prepared by Management)

Expressed in Canadian Dollars

	As at August 31 2019 \$	As at May 31 2019 \$
<b>Assets</b>		
<b>Current Assets</b>		
Cash	56,740	14,286
Other receivables (note 5)	372,454	293,106
Investments (note 6)	1,740,787	2,434,370
Derivative financial instrument	44,023	119,560
<b>Total Current Assets</b>	<b>2,214,004</b>	<b>2,861,322</b>
<b>Non-Current Assets</b>		
Exploration and Evaluation	1,451,332	1,451,332
	1,451,332	1,451,332
<b>Total Assets</b>	<b>3,665,336</b>	<b>4,312,654</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Trade and other payables	820,035	845,901
Borrowings (note 8)	472,296	293,259
<b>Total Current Liabilities</b>	<b>1,292,331</b>	<b>1,139,160</b>
<b>Non-Current Liabilities</b>		
Borrowings related party (note 9)	139,007	145,263
Deferred tax liability	44,253	46,244
<b>Total non-Current Liabilities</b>	<b>183,260</b>	<b>191,507</b>
<b>Total Liabilities</b>	<b>1,475,591</b>	<b>1,330,667</b>
<b>Shareholders' Equity</b>		
Share capital (note 10)	5,216,492	5,216,492
Share based payment reserve	472,557	472,557
Foreign currency translation reserve	108,799	(15,040)
Accumulated profit/(deficit)	(3,889,564)	(3,003,073)
Attributable to owners of parent	1,908,284	2,670,936
Non-controlling interest	281,461	311,051
<b>Total equity</b>	<b>2,189,745</b>	<b>2,981,987</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,665,336</b>	<b>4,312,654</b>

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.

Condensed Interim Consolidated Statements of Profit or Loss and Comprehensive Income  
(Unaudited – Prepared by Management)  
Expressed in Canadian Dollars

For the three months ended 31 August	2019 \$	2018 \$
<b>NET REALISED AND UNREALISED GAIN/(LOSS)</b>		
Net realized gain/(loss) on disposal of marketable securities	(17,042)	(153,745)
Net change in unrealized gain/(loss) on marketable securities	(752,575)	89,820
Fair value gain on derivative financial instrument	(75,538)	-
<b>OTHER INCOME</b>		
Interest and other income	225,080	43,250
<b>Expenses</b>		
Professional fees	18,784	122,668
Directors fees	111,236	60,701
Travel expenses	6,870	19,030
Loss from equity accounted investment	-	12,727
Financing costs	29,714	27,101
Forex variance	122,765	139,243
General and administrative	172	24,583
<b>Total expenses</b>	<b>289,541</b>	<b>406,053</b>
<b>Profit/(loss) before tax</b>	<b>(909,616)</b>	<b>(426,728)</b>
Income tax (expense)/recovery	-	62,972
<b>Profit/(loss) after tax</b>	<b>(909,616)</b>	<b>(363,756)</b>
Share of non-controlling interest loss	29,591	23,157
	(880,025)	(340,599)
<b>Other comprehensive income/(loss) net of tax</b>	<b>117,373</b>	<b>38,216</b>
<b>Net income/(loss) and total comprehensive income</b>	<b>(762,652)</b>	<b>(302,383)</b>
<b>Profit/(loss) per common share (note 16)</b>		
- Basic	(\$0.0090)	(\$0.0040)
- Diluted	(\$0.0090)	(\$0.0040)
<b>Weighted average number (note 16) of common shares</b>		
- Basic	97,304,478	91,240,611
- Diluted	97,304,478	91,240,611

The accompanying notes are an integral part of these financial statements

**Lions Bay Capital Inc.**  
Condensed Consolidated Interim Statements of Changes in Equity  
(Unaudited – Prepared by Management)  
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, 2018	88,289,406	4,224,835	(3,538)	246,583	530,725	4,998,607	419,720	5,418,327
Movement in foreign currency values	-	-	38,216	-	-	38,216	-	38,216
Profit/(loss) for the period	-	-	-	-	(340,599)	(340,599)	(23,157)	(363,756)
Issue of ordinary shares net of transaction cost	9,015,067	991,657	-	-	-	991,657	-	991,657
Balance – August 31, 2018	97,307,473	5,216,492	34,678	246,583	190,126	6,687,881	396,563	6,084,444
Balance – May 31, 2019	97,304,473	5,216,492	(15,040)	472,557	(3,003,073)	2,670,936	311,051	2,981,987
Movement in foreign currency values	-	-	117,373	-	-	117,373	-	117,373
Profit/(loss) for the period	-	-	-	-	(880,025)	(880,025)	(29,500)	(909,615)
Balance – August 31, 2019	97,304,473	5,216,492	102,333	472,557	(3,883,098)	1,908,284	281,461	2,189,745

The accompanying notes are an integral part of these financial statements

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

For the three months ended 31 August	2019 \$	2018 \$
<b>Operating Activities</b>		
Net Profit/(loss) after tax	(909,615)	(363,757)
Deduct/add Non-Cash & Other Items:		
Net realized (gain) on disposal of investments	17,043	153,745
Change in unrealized (gain) on investments	752,575	(89,820)
Impairment of derivatives	75,538	-
Equity accounted loss	-	12,727
Exchange variation	123,046	136,489
Interest received and receivable	(31,126)	(35,410)
Movement in tax balances	-	(62,972)
Changes in Non-Cash Working Capital:		
(Increase)/decrease in receivable	(170,738)	(7,946)
(Increase)/decrease in trade and other payable	18,518	42,264
Payment for exploration and evaluation	-	(38,804)
Proceeds from disposal of marketable securities	103,058	702,826
Loan to others	-	(151,181)
Purchase of investments	(103,058)	(11,705)
	784,856	650,213
<b>Cash Flows From (Used In) Operating Activities</b>	<b>(124,759)</b>	<b>286,456</b>
<b>Financing Activities</b>		
Proceed from loan	259,787	-
Repayment of loan	(92,574)	(301,143)
	167,213	(301,143)
<b>Net increase/(decrease) in cash</b>	<b>42,454</b>	<b>(14,687)</b>
<b>Cash - Beginning of period</b>	<b>14,286</b>	<b>57,568</b>
<b>Cash - End of period</b>	<b>56,740</b>	<b>42,881</b>

The accompanying notes are an integral part of these financial statements

# Lions Bay Capital Inc.

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

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### 1. Nature of Operations and Going Concern

#### Nature of Operations

Lions Bay Capital Inc. (the Company) 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 October 29 2019. The following are the significant accounting policies used in the preparation of these financial statements.

#### 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 (CAD), 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.

# Lions Bay Capital Inc.

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

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### 2. Basis of presentation (cont'd)

#### Going concern

At the reporting date the consolidated entity had a cash balance of \$56,740 and net current assets of \$921,673 including liquid investments amounting to \$1,740,787

- A significant portion of the Group's accounts payable and borrowings are owed to a related party. A letter has been received confirming that the debt will not be called upon until such time the Group can repay without impacting the Group's ability to meet its obligations as and when they fall due.
- The Group has a significant holding in liquid investments listed on the TSXV and ASX, which can be converted to cash to meet the ongoing cash flow needs of the Group.

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

#### 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 binominal model for the options. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11.

# Lions Bay Capital Inc.

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

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### 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 14.

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

##### *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. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

##### *Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be 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 a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

##### *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition

##### *Derivative financial instruments*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

# Lions Bay Capital Inc.

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

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

#### Financial instruments (cont'd)

##### *Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

##### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income (FVOCI) are not reported separately from other changes in fair value.

##### *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 13 details how the group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition receivables.

#### **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;

# Lions Bay Capital Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
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### 3. Summary of significant accounting policies (cont'd)

#### Fair value measurement (cont'd)

- |       |         |   |
|-------|---------|---|
| (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 13, 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.

#### 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.

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

As at August 31, 2019, there were no interest or other receivables identified as impaired (2018 – nil).

**5. Other Receivables**

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

	<b>August 31 2019</b>	<b>May 31 2019</b>
	<b>\$</b>	<b>\$</b>
Loan receivable from Fidelity Minerals Corp -unsecured (i)	345,926	285,746
Other receivable	26,260	6,080
Withholding tax	268	280
Security deposit	-	1,000
	372,454	293,106

(i) interest payable at 6%

**6. Schedule of investments**

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

	<b>Cost</b>	<b>Fair Value August 31 2019</b>	<b>Cost</b>	<b>Fair Value May 31 2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Kalina Power Ltd	1,204,569	521,154	1,204,569	479,255
Fidelity Minerals Corp	1,792,135	1,052,584	1,712,277	1,690,657
Eurotin Inc	700,000	66,667	700,000	133,334
Elementos Ltd	159,214	100,382	159,214	131,124
<b>Total</b>	<b>3,855,918</b>	<b>1,740,787</b>	<b>3,776,060</b>	<b>2,434,370</b>

## Lions Bay Capital Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
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### 7. Borrowings - current

	<b>August 31 2019 \$</b>	<b>May 31 2019 \$</b>
Borrowings – secured (i)	269,036	53,570
Borrowings – unsecured (ii)	140,541	138,116
Borrowings – related party (iii)	62,719	101,573
	<u>472,296</u>	<u>293,259</u>

- (i) The loan facility has a term of five years with the remaining initial tranche of \$1,000,000 is repayable within one year in instalments of, \$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. 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 (2018: 8%)
- (iii) Interest payable at 10% per annum

### 9. Borrowings - non-current

	<b>August 31 2019 \$</b>	<b>May 31 2019 \$</b>
Borrowings – unsecured (i)	139,007	145,263
	<u>139,007</u>	<u>145,263</u>

- (i) Interest payable at 10% per annum payable after one year.

# Lions Bay Capital Inc.

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

### 10. 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) At August 31, 2019, 27,988,907 (May 31, 2019: 27,988,907) 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 Qualifying Transaction, 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.

(ii) 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.

	31 August 2019		31 May 2019	
Ordinary shares – Fully paid	No	\$	No	\$
Balance at the beginning of the period	97,304,473	5,216,492	88,289,406	4,224,835
Issue of shares to settle Fidelity Minerals Corp debt acquired	-	-	9,015,067	991,657
Balance at the end of the period	<b>97,304,473</b>	<b>5,216,492</b>	<b>97,304,473</b>	<b>5,216,492</b>

# Lions Bay Capital Inc.

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

### 11. 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.

A summary of the status of stock and warrant option activity under Company's Stock Option Plan and changes to outstanding and exercisable stock and warrant options during the period is presented below.

	August 31, 2019		May 31, 2019	
	Number of options	Exercise price \$	Number of option	Exercise price \$
Options outstanding beginning of the period	5,015,000	0.20 & 0.06	150,000	0.20
Options granted	-	-	4,865,000	0.06
Options cancelled	-	-	-	-
Options outstanding August 31	5,015,000	0.20 & 0.06	5,015,000	0.20 & 0.06

	August 31, 2019		May 31, 2019	
	Number of warrants	Exercise price \$	Number of warrants	Exercise price \$
Warrants outstanding , beginning of the period	10,000,000	0.05	13,750,000	0.05 & 0.12
Warrants granted	-	-	3,750,000	0.12
Warrants lapsed	-	-	(3,750,000)	0.12
Warrants outstanding August 31	10,000,000	0.05	10,000,000	0.05

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

Number of options and warrants outstanding	Exercise Price \$	Number of options and warrants exercisable	Weighted average remaining life (years)	Expiry date
Options - 150,000	0.20	150,000	1.23	Nov 23, 2020
Warrants - 10,000,000	0.05	10,000,000	0.42	Feb 1, 2020
Options - 4,865,000	0.06	4,865,000	4.48	Feb 20, 2024

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### 12. 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 deleverage its statement of financial position.

The Company does not have any externally imposed capital requirements.

The Company's capital consists of the following:

	August 31, 2019	May 31, 2019
	\$	\$
Shareholders' equity	5,216,492	5,216,492
Borrowings	611,300	438,522
<b>Total capital</b>	<b>5,810,328</b>	<b>5,555,504</b>

### 13. 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 2019	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	2,434,370	-	-	2,434,370
Derivative financial instrument	119,560	-	-	119,560
	<b>2,553,930</b>	-	-	<b>2,553,930</b>

As at May 31 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	5,184,979	-	-	5,184,979
	<b>5,184,979</b>	-	-	<b>5,184,979</b>

**13. Fair value measurement (cont'd)**

Transfers between levels of the fair value hierarchy are deemed 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, 2019 and 2018.

**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 on active 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.

*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 appropriate, if an external investor is motivated by strategic considerations.

**13. Fair value measurement (cont'd)**

**Fair value estimation (cont'd)**

- 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 indicated 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.
- 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.

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**13. Fair value measurement (cont'd)**

**Fair value estimation (cont'd)**

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 issue. The Company regularly considers whether any indications of deterioration in the value of the underlying business exist, which suggest that the debts 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 debts 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 illiquidity discount applied requires considerable judgment and is based on the facts and circumstances of each investment.

**14. 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.

During the period 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 31 August 2019 an amount of \$238,000 was owed by the company.

During the year Twenty-Second Yeneb Pty Limited, a company controlled by John Byrne advanced \$97,365. Interest payable at 10% amounted to \$4,208. Further an amount of \$193,569 was owed by the company on account of expenses incurred by John Byrne.

**15. Interest in subsidiaries**

		<b>Equity holding</b>	
<b>Country of Incorporation</b>		<b>August 31 2019 %</b>	<b>May 31 2018 %</b>
<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	100
Its group entity being:			
Consolidated Potash Corporation Ltd	Australia	46.49	46.49
Activated Water Technologies Pty Ltd	Australia	100	100

## Lions Bay Capital Inc.

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#### 16. Subsequent events

On September 17 2019, the Company sold its 46.49% shareholding in Consolidated Potash Corporation Limited (CPC) to Parkway Minerals NL, an ASX listed company. Lions Bay received 223,094,414 new ordinary shares in Parkway Minerals and 54,534,253 partly paid shares (deemed paid to \$0.001 and \$0.019 unpaid).

In addition \$500,000 owing from Consolidated Potash Corporation to the Company was settled by the transfer for 10,000,000 Davenport Resources Limited shares from Parkway Minerals, which are also listed on the ASX. The total consideration received by Lions Bay for its shares and debt in Consolidated Potash Corporation, based on market value on 17 September 2019, amounted to \$1,424,936.

The financial impact of the sale of CPC to the consolidated entity in future financial statements will be accounted for based on the financial position of the former subsidiary on the date the company lost control. The estimate of the financial effect on the statement of financial position of the loss of control based on the financial position of the consolidated entity and CPC as at August 31 2019 is as follows.

	As at August 31 2019 \$	Loss of control of CPC \$	As at August 31 2019 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash	56,740	(5,883)	50,857
Other receivables	372,454	-	372,454
Investments	1,740,787	1,424,936	3,165,723
Derivative financial instrument	44,023	-	44,023
<b>Total Current Assets</b>	2,214,004	1,419,053	3,633,057
<b>Non-Current Assets</b>			
Exploration and Evaluation	1,451,332	(1,451,332)	-
	1,451,332	(1,451,332)	-
<b>Total Assets</b>	3,665,336	(32,279)	3,633,057
<b>Current Liabilities</b>			
Trade and other payables	820,035	(156,352)	663,683
Borrowings	472,296	-	472,296
<b>Total Current Liabilities</b>	1,292,331	(156,352)	1,135,979
<b>Non-Current Liabilities</b>			
Borrowings related party	139,007	(139,007)	-
Deferred tax liability	44,253	-	44,253
<b>Total non-Current Liabilities</b>	183,260	(139,007)	44,253
<b>Total Liabilities</b>	1,475,591	(295,359)	1,180,232
<b>Net Assets</b>	2,189,745	263,080	2,452,825