

**LIONS BAY CAPITAL INC.
SEPTEMBER 30, 2019**

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS FROM OPERATIONS – FOR THE YEAR ENDED MAY 31, 2019

The following information should be read in conjunction with the financial statements and related notes of Lions Bay Capital Inc. (the “Company” or “Lions Bay”) for the year ended May 31, 2019 which has been prepared in accordance with International Financial Reporting Standards (“IFRS”). All reported amounts are stated in Canadian dollars unless otherwise indicated. Additional information relating to the Company is available on the SEDAR website at www.sedar.com by searching under the Company's name.

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

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

Nature of Operations

The Company was formed through a Qualifying Transaction (“QT”) completed on November 14, 2017.

The Company's primary objective is to increase shareholder value through the identification of, and investment in, securities of primarily publicly listed and/or private corporations offering capital appreciation potential. Investments will be acquired and held for short-term gains or long-term capital appreciation, dependent upon the specific investment.

Business Strategy

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

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

The investment portfolio comprises public trading shares in Kalina Power Limited (energy), Elementos Limited (EV, tin), Parkway Minerals NL (resources, water) all listed on the Australian Securities Exchange. Further investments comprise public trading shares on the TSX-V, namely, Fidelity Minerals Corporation (gold).

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

Invest In Quality Management

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

Identify New and Disruptive Technologies

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

Restructuring Of Undervalued Assets

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

Funding To Support New Discoveries

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

2019 Review

Lions Bay has successfully established itself as a new mining finance investment house and taken cornerstone positions with the potential to deliver solid growth over the next few years. We provide a conduit for investors to participate in seed funding of resource projects and restructuring of moribund companies.

Our investment in Jervois Mining provided a perfect example of this and the benefits that can flow from this. In late 2016 Jervois was an underperforming company on the Australian Securities Exchange with less than \$500,000 in the bank. As an activist investor, Lions Bay spearheaded a complete board and management change which has resulted in the company raising over \$15 million and assembling a world class team of leading nickel cobalt professionals. Jervois market capitalisation has moved from \$5.5m in 2017 to \$62 million following the restructuring headed by Lions Bay. Lions Bay has now exited its investment in Jervois, completing the investment cycle identified by the team of Lions Bay.

Elsewhere, we have taken the lead role in the restructuring of a gold company; Fidelity Minerals, we are assisting in the creation of a global tin company through ASX listed Elementos Ltd, and we are active in the expansion of Kalina Power into the North American market.

Finally we have recently sold our unlisted strategic stake in Consolidated Potash Corporation in completion of our goal of realising a significant gain on this investment through the introduction of strategic third party funders and the public listing of Consolidated Potash Corporation via its acquisition by Parkway Minerals NL. As a result of the transaction, Lions Bay owns 18% of Parkway. Parkway owns proprietary technology with the potential to provide revolutionary process routes for production of minerals including lithium and potash.

Going Concern

At the reporting date the consolidated entity had a cash balance of \$14,286 and net current assets of \$1,675,918 including liquid investments amounting to \$2,434,370.

- 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 investment listed on 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.

Results from Operations and Loss for the Year Ended May 31, 2019

	Year ended May 31 2019 \$	Year ended May 31 2018 \$
NET REALISED AND UNREALISED GAIN/(LOSS)		
Net realized gain/(loss) on disposal of marketable securities	(1,507,748)	-
Net change in unrealized gain/(loss) on marketable securities	(1,000,743)	2,373,603
Fair value gain on derivative financial instrument	119,560	-
OTHER INCOME		
Interest and other income	163,810	87,695
Expenses		
Professional fees	339,728	344,466
Directors fees	306,162	85,109
Travel expenses	198,802	208,537
Impairment of derivatives	-	25,838
Listing expenses recognized on acquisition	-	357,227
Value of stock options issued	225,972	190,000
Financing costs	78,761	194,127
Research and development expenses	-	49,284
General and administrative	227,864	102,343
Total expenses	1,377,289	1,556,931
Profit/(loss) before tax	(3,602,410)	904,367
Income tax expense	(40,057)	(132,761)
Profit/(loss) after tax	(3,642,467)	771,606
Share of non-controlling interest loss	108,669	94,306
	(3,533,798)	865,912
Other comprehensive income/(loss) net of tax	(11,504)	(1,196)
Net income/(loss) and total comprehensive income	(3,545,302)	864,716
Profit/(loss) per common share		
- Basic	(\$0.0367)	\$0.0183
- Diluted	(\$0.0367)	\$0.0160
Weighted average number of common shares		
- Basic	96,415,321	47,243,299
- Diluted	96,415,321	54,229,601

Results from Operations for the Year Ended May 31, 2019

Net loss for the 12 months ended May 31, 2019 was \$3,545,302, or \$0.0367 per share, compared to a net profit of \$864,716, or \$0.0183 per share, for the 12 months ended May 31, 2018.

During the 12 months ended May 31, 2019, the Company recorded \$1,507,748 realized capital losses. This related to the disposal of Jervois Mining shares which had previously being marked to market.

During the 12 months ended May 31, 2018, the Company recorded no realized capital gains or losses.

During the 12 months ended May 31, 2019, the Company recorded \$1,000,743 of net unrealized losses on investments and marketable securities. The unrealized gains were primarily attributed to the losses through mark-to-market of the Company's publicly traded investments which was predominantly contributed by Kalina Power and Elementos.

During the 12 months ended May 31, 2018, the Company recorded a net unrealized gain of \$2,373,603 attributable to gains recognized through the mark-to-market of the Company's publicly traded investments.

Total expenses during the 12 months ended May 31, 2019 were \$1,377,289 compared to \$1,556,931 for the 12 months ended May 31, 2018. Whilst the expenses were similar, the 2018 financial year included the work required for the completion of the QT and includes the listing expense associated with the QT of \$357,227. The 2019 expense reflects noncash amounts of \$225,972 relating to stock options issued. The company also had increased costs for directors fees and General & Administrative costs as a result of a second executive director being appointed in the year and ongoing costs related to due diligence and analysis of potential investment opportunities as well as in making investments.

Liquidity and Capital Resources

At May 31, 2019, the Company had a net working capital of \$31,506 comprised of cash of \$14,286 and total current assets of \$17,220, which consists of other current assets of \$1,156,379 and current liabilities, being trade and other payables of \$1,139,159.

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

The change in net working capital of \$(4,260,454), reflects the realized and unrealized net loss on the marketable securities that comprise its investments and the paying down of the borrowings in the period, offset by other current liabilities increasing.

Selected Annual Information

The following financial data are selected information for the Company for the three most recently completed financial years:

	Years Ended May 31		
	2019 \$	2018 \$	2017* \$
Net realized gain/(loss) on disposal of marketable securities	(1,507,748)	nil	248,424
Net change in unrealized gain/(loss) on marketable securities	(1,000,743)	2,373,603	(327,726)
Other Income	163,810	87,685	23,547
Total Expenses	1,377,289	1,556,931	244,282
Net Income/(Loss) and Comprehensive Income	(3,545,798)	864,716	(208,196)
Basic Profit/(Loss) per Share	(0.0367)	0.0176	(41,639)
Fully Diluted Profit/(Loss) per Share	(0.0367)	0.0156	(41,639)
Cash Dividends	nil	nil	nil
Total Assets	4,312,654	7,114,416	2,558,673
Total Non-Current Financial Liabilities	145,263	139,631	nil

2017 – Represents Pan Andean Capital Pty Limited 12 months from 1 June 2016 to 31 May 2017

In the 2017 financial period, Pan Andean commenced making further investments for its initial portfolio which resulted in gains from the sale of a portion of its Kalina Power Limited investment and investment into Consolidated Potash Corporation (formerly named Aqua Guardian Group), Jervois Mining Limited and Golden Reign Resources. The movement in the value of the investments in Jervois Mining Limited and Golden Reign resulted in the unrealized loss on marketable securities in 2017. As Pan Andean was now more active in its investment activities and had borrowings against the purchase consideration of some of its investments, this resulted in the increase in total expenses for 2017 primarily due to the financing costs.

In the 2018 financial period, Pan Andean completed the Qualifying Transaction with Lions Bay Capital Inc which resulted in the significant increase in the total expenses as the resulting issuer, Lions Bay Capital Inc commenced a more active identification, due diligence and investment process in new investee companies. This resulted in an increase in travel costs and professional fees. There was also a significant one off cost of \$357,227 related to listing expense recognized on acquisition. The unrealized gain on the marketable securities is predominantly due to the increase in value of Jervois Mining Limited and Eurotin, partly offset by the drop in value of Kalina Power Limited.

In the 2019 financial period, Lions Bay Capital Inc continued with a more active identification, due diligence and investment process in new investee companies. This resulted in an increase in travel costs and professional fees. There was also a significant one off cost of \$225,972 for the value of options issued. The net realized loss on disposal of marketable securities related predominately to the sale of Jervois Mining shares that had been marked to market in prior periods. The disposal resulted in a positive outcome for Lions Bay in respect of its entry price to Jervois Mining.

Financial Instruments

The Company's current financial instruments consist of cash, and trade and other payables, along with public listed shares and options which are initially measured at fair value and subsequently measured at market price. Financial instruments that potentially subject the Company to significant concentrations of credit risk is cash, arms' length third party loans and movements in the price of public listed shares. The Company limits its exposure to credit risk by placing its cash with high credit quality institutions and by actively monitoring its portfolio of public listed shares and private investments with an aim to provide a diversified spread of value amongst the various investment. The maximum exposure to loss arising from cash, public listed shares and private investments are equal to their carrying value and from the third party loans is their outstanding balances.

Off-Balance Sheet Arrangements

None

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.

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 February 21, 2019 the company issued 4,865,000 stock options exercisable at \$0.06 to Bahay Ozcakmak. These options expire on 20 February 2024.

During the year 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 \$168,000. At 31 May 2019 an amount of \$168,000 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.

At May 31, 2019 Kalina Power Ltd was owed \$145,263 by Consolidated Potash Corporation Limited. Interest payable at 10% per annum amounted to \$12,026. John Byrne was the Executive Chairman of Kalina Power Ltd until 30 June 2019.

Accounting standards, interpretations and amendments to existing standards that are not yet effective

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 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which replaces the previous lease standard, IFRS 17, Leases, 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.

Subsequent Event

On 17 September 2019, the Company sold its 46.49% shareholding in Consolidated Potash Corporation Limited 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 \$1,425,400.

Due the proximity of the disposal to the release of the financial statements, it is impractical at this stage to include other disclosures in relation to the business disposal such as sale price accounting including fair value of net assets disposed, and the gain on disposal.

Summary of Selected Quarterly Information

	Quarter Aug 30 2018 \$	Quarter Nov 30 2018 \$	Quarter Feb 28 2019 \$	Quarter May 31 2019 \$
Net Income / (Loss) and Total Comprehensive Income / (Loss)	(302,383)	(2,225,571)	(1,086,316)	25,799
Profit / (Loss) per Share				
- Basic	(0.0040)	(0.0210)	(0.0125)	0.0003
- Fully Diluted	(0.0040)	(0.0210)	(0.0125)	0.0002
Weighted Average Number of Common Shares				
- Basic	91,240,611	97,340,478	97,304,478	97,304,478
- Fully Diluted	105,244,234	111,054,478	115,536,838	115,536,838

The movement in Net Income / (Loss) and Total Comprehensive Income / (Loss) is predominately due to the movement in market value of the public listed securities as at the relevant quarter end date. In particular, Kalina Power Limited increased substantially in value in the 4th Quarter ended 31 May 2019.

	Quarter Nov 30 2017 \$	Quarter Feb 28 2018 \$	Quarter May 31 2018 \$	Year May 31 2018 \$
Net Income / (Loss) and Total Comprehensive Income / (Loss)	1,346,895	1,062,216	(1,508,377)	864,716
Profit / (Loss) per Share				
- Basic	0.0725	0.0111	(0.0163)	0.0183
- Fully Diluted	0.0661	0.0099	(0.0163)	0.0160
Weighted Average Number of Common Shares				
- Basic	18,996,582	86,437,554	88,289,406	47,243,299
- Fully Diluted	20,904,824	96,587,554	101,360,063	54,229,601

The movement in Net Income / (Loss) and Total Comprehensive Income / (Loss) is predominately due to the movement in market value of the public listed securities as at the relevant quarter end date. In particular, Jervois Mining Limited increased substantially in value each of the quarters ending November 30 2017 and February 28, 2018, however it decreased in value in the quarter ended 31 May 2018.

Share Information as at September 30 2019

	Issued	Authorized
Share Capital		
Common Shares	69,315,566	unlimited
Common Shares – Held in escrow	27,988,907	
Preferred Shares	<u>Nil</u>	unlimited
Total Common Shares	97,304,473	
Stock Options	<u>15,015,000</u>	
Total Share Capital		
- on a fully diluted basis	<u>112,319,473</u>	

Disclosure controls and procedures and internal control over financial reporting

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

Risks and Uncertainties

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

The Company manages risks on corporate investments through its approach to planning, setting of investment criteria, performance of due diligence on investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. The Company seeks to mitigate company specific business risk by investing, where possible, in the highest ranking securities in the capital structure, so as to rank a head of the common shares of the issuer. The Company seeks to mitigate credit risk by investing, where possible, in senior debts securities and/or by limiting the amount of debt that may rank ahead of, or pari passu to, the securities being purchased. The Company seeks to mitigate interest rate risk by investing relatively short duration convertible debentures and conventional debt – typically no longer than three years in term. The Company considers exposure to foreign currency assets as a hedge against the possible decrease in the value of the Canadian dollar

For a discussion of the additional risks and uncertainties which may have an impact on the Company, readers are referred to the Company's Filing Statement dated September 28, 2017 and other documents relating to the Company which can be found on the SEDAR website at www.sedar.com by searching under the Company's name.