

Lions Bay Capital Inc.

Consolidated Financial Statements
Expressed in Canadian Dollars

For the Year Ended May 31, 2019



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To the Shareholders of Lions Bay Capital Inc.

Opinion

We have audited the consolidated financial statements of Lions Bay Capital Inc. and its subsidiaries (the Group), which comprise the statement of financial position as at May 31, 2019 and May 31, 2018 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at May 31, 2019 and May 31, 2018 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- The information, other than the consolidated financial statements and our auditor's report thereon, included in the Management's Discussion & Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.



In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is James Mooney.

(signed) "BDO East Coast Partnership"
Chartered Professional Accountants

Melbourne, Australia
30 September 2019

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

	As at May 31 2019 \$	As at May 31 2018 \$
Assets		
Current Assets		
Cash	14,286	57,568
Other receivables (note 5)	293,106	605,871
Investments (note 6)	2,434,370	5,184,979
Derivative financial instrument	119,560	-
Total Current Assets	2,861,322	5,848,418
Non-Current Assets		
Exploration and evaluation	1,451,332	1,265,998
	1,451,332	1,265,998
Total Assets	4,312,654	7,114,416
Liabilities and Shareholders' Equity		
Current Liabilities		
Trade and other payables	845,901	364,957
Borrowings (note 7)	293,259	1,191,501
Total Current Liabilities	1,139,160	1,556,458
Non-Current Liabilities		
Borrowings related party (note 8)	145,263	139,168
Deferred tax liability (note 11)	46,244	463
Total Non-Current Liabilities	191,507	139,631
Total Liabilities	1,330,667	1,696,089
Shareholders' Equity		
Share capital (note 9)	5,216,492	4,224,835
Share based payment reserve	472,557	246,585
Foreign currency translation reserve	(15,040)	(3,538)
Accumulated profit/(deficit)	(3,003,073)	530,725
Attributable to owners of parent	2,670,936	4,998,607
Non-controlling interest	311,051	419,720
Total equity	2,981,987	5,418,327
Total Liabilities and Shareholders' Equity	4,312,654	7,114,416

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

On behalf of the Board of Directors


Director


Director

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

	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 (note 16)		
- Basic	(\$0.0367)	\$0.0183
- Diluted	(\$0.0367)	\$0.0160
Weighted average number (note 16) of common shares		
- Basic	96,415,321	47,243,299
- Diluted	96,415,321	54,229,601

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, 2017	2	2	(2,342)	37,290	(335,187)	(300,237)	-	(300,237)
Elimination of issued capital of Pan Andean	(2)	(2)	-	-	-	(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	-	-	(1,194)	-	-	(1,194)	-	(1,194)
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	(3,536)	246,583	530,725	4,998,607	419,720	5,418,327
Balance – May 31, 2018	88,289,406	4,224,835	(3,536)	246,583	530,725	4,998,607	419,720	5,418,327
Issue of ordinary shares net of transaction cost (note 10c)	9,015,067	991,657	-	-	-	991,657	-	991,657
Stock options issued	-	-	-	225,974	-	225,974	-	225,974
Movement in foreign currency values	-	-	(11,504)	-	-	(11,504)	-	(11,504)
Profit/(loss) for the period	-	-	-	-	(3,533,798)	(3,533,798)	(108,669)	(3,642,467)
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

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 2019 \$	Year ended May 31 2018 \$
Operating Activities		
Net Profit/(loss) after tax	(3,642,467)	771,606
Deduct/add Non-Cash & Other Items:		
Net realized loss on disposal of investments	1,504,676	-
Change in unrealized loss/(gain) on investments	1,003,815	(2,373,603)
Equity based payments	225,972	190,000
Listing expenses recognised on acquisition	-	357,227
(Gain)/Impairment of derivatives	(119,560)	25,838
Exchange variation	158,691	15,272
Interest received and receivable	(138,229)	(131,478)
Movement in tax balances	40,057	132,761
(Gain) on debt acquired	(20,930)	-
Payment for deposits	(60)	(26,000)
Changes in Non-Cash Working Capital:		
(Increase)/decrease in receivable	(167,001)	(19,326)
(Increase)/decrease in trade and other payable	819,171	191,105
Payment for debt acquired	(31,394)	(27,106)
Proceeds from disposal of marketable securities	2,338,104	-
Loan to others	(341,411)	(740,000)
Payment for exploration and evaluation	(184,257)	-
Purchase of investments	(476,085)	(391,940)
	4,611,559	(2,797,250)
Cash Flows From (Used In) Operating Activities	969,092	(2,025,644)
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
Proceeds from loan-related party	98,965	-
Repayment of loan	(1,111,339)	(190,500)
	(1,012,374)	1,944,776
Net increase/(decrease) in cash	(42,282)	(80,868)
Cash - Beginning of period	57,568	138,436
Cash - End of period	14,286	57,568

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 30 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.

Going concern

At the reporting date the consolidated entity had a cash balance of \$14,286 and net current assets of \$1,722,162 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 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 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 19.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of Lions Bay Capital and its subsidiaries "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.

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

Financial instruments (cont'd)

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.

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.

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.

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.

Lions Bay Capital Inc.

Notes to the Consolidated Financial Statements Expressed in Canadian Dollars

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.

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.

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
Expressed in Canadian Dollars

4. Impairment

As at May 31, 2019, there were no interest or other receivables identified as impaired [2018 – 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 2019 \$	May 31 2018 \$
Loan receivable from Fidelity Minerals Corp-unsecured (i)	285,746	575,950
Other receivable	6,080	-
Withholding tax	280	293
GST Receivable	-	3,628
Security deposit	1,000	26,000
	<u>293,106</u>	<u>605,871</u>

(i) Interest payable at 10%.

6. Schedule of investments

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

	Cost	Fair Value May 31 2019	Cost	Fair Value May 31 2018
	\$	\$	\$	\$
Kalina Power Ltd	1,204,569	479,255	1,142,227	327,446
Elementos	159,214	131,124	-	-
Fidelity Minerals Corp	1,712,277	1,690,657	-	-
Jervois Mining Ltd	-	-	465,714	3,058,645
Golden Reign Resources Ltd	-	-	622,062	623,040
Verdant Mining Ltd	-	-	209,414	175,848
Eurotin Inc	700,000	133,334	700,000	1,000,000
Total	<u>3,776,060</u>	<u>2,434,370</u>	<u>3,139,417</u>	<u>5,184,979</u>

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7. Borrowings - current

	May 31 2019	May 31 2018
	\$	\$
Borrowings – secured (i)	53,570	1,034,241
Borrowings – unsecured (ii)	138,116	157,260
Borrowings – related party (iii)	101,573	-
	293,259	1,191,501

- (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 (2018: 8%)
- (iii) Interest payable at 10% per annum

8. Borrowings - non-current

	May 31 2019	May 31 2018
	\$	\$
Borrowings related party – unsecured (i)	145,263	139,168
	145,263	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:

At May 31, 2019, 27,988,907 (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 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.

c) Common shares:

On July 6, 2018, the Company issued 9,015,067 common shares at deemed par price of \$0.11 to the vendors of Fidelity Minerals Corporation debt.

	Full year to 2019		Full year to 2018	
	No	\$	No	\$
Ordinary shares – Fully paid				
Balance at the beginning of the year	88,289,406	4,224,835	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	-
Issue of shares to acquire Fidelity Minerals Corporation debt	9,015,067	991,657	-	-
Deemed fair value of consideration to PAC shareholders on reverse acquisition	-	-	-	2,807,835
Balance at the end of the year	97,304,473	5,216,492	88,289,406	4,224,835

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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 10% of the common shares, issued and outstanding. 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.

The following is a summary of the stock and warrant option activity under Company's Stock Option Plan as at May 31, 2019 and 2018.

	2019		2018	
	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 granted	4,865,000	0.06	-	-
Options outstanding May 31	5,015,000	0.20 & 0.06	150,000	0.20

	2019		2018	
	Number of warrants	Exercise price \$	Number of warrants	Exercise price \$
Warrants outstanding , beginning of the year	13,750,000	0.05 & 0.12	-	-
Warrants granted	-	-	10,000,000	0.05
Warrants granted	-	-	3,750,000	0.12
Warrants lapsed	(3,750,000)	0.12	-	-
Warrants outstanding May 31	10,000,000	0.05	13,750,000	0.05 & 0.12

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	1.48	150,000	Nov 23, 2020
0.05	Warrants - 10,000,000	0.67	10,000,000	Feb 1, 2020
0.06	Options - 4,865,000	4.73	4,865,000	Feb 20, 2024

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
2/21/2019	2/20/2024	5.5 cents	6 cents	1.26%	Nil	2.25%	225,972

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

	2019	2018
	\$	\$
Profit/(Loss) before tax per the accounts	(3,602,410)	904,367
income taxed at local statutory rates - 27% (2018: 27%)	(972,650)	244,179
Tax losses carried forward	-	(244,179)
Add: adjustment for overseas tax rate		-
<i>Tax losses carried forward</i>		
Tax expense/(benefit) - not recognised- Pan Andean Capital Pty Ltd	654,606	132,761
Tax losses utilised	277,987	-
Tax expense/(benefit) - Lions Bay Capital Inc.	-	-
Income tax expense/(benefit)	(40,057)	132,761

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 27.00%.

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, 2019 and May 31, 2018 are summarized as follows:

	2019	2018
	\$	\$
Deferred tax assets:		
-Tax loss	-	86,987
-Provisions	-	832
Deferred tax liabilities:		
-Investments	(46,244)	(84,937)
-Forex variance	-	(3,345)
Deferred tax asset/(liability) at year end	(46,244)	(463)

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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 2019	Financial assets at fair value through profit and loss \$	Loan, Receivable & Other Liabilities \$	Total \$
Assets			
Investments	743,713	-	743,713
Cash	-	14,286	14,286
Other receivables	-	293,106	293,106
Derivative financial interest	119,560	-	119,560
Total Financial Assets	863,273	307,392	1,170,665
Liabilities			
Accounts payables	-	892,145	892,145
Borrowings	-	191,686	191,686
Borrowings related party	-	246,836	246,836
Total Financial Liabilities	-	1,330,667	1,330,667

As at May 31 2018	Financial assets at fair value through profit and loss \$	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

For the year ended May 31, 2019, the total of the change in unrealized gain and realized gain (loss) of financial assets classified as HFT was loss \$979,123 (2018: gain \$2,373,603)

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 purposes 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, 2019, if interest rates were higher by 1% per annum, the potential effect to the Company would a decrease in net income of approximately \$3,456 (2018: \$1,304). If interest rates were lower by 1% per annum, the potential effect would increase in net income of approximately \$3,456 (2018: \$1,304).

Currency risk

Changes in currency rates will impact the carrying value of instruments denominated in currencies other than the Canadian dollar. As at May 2019, the Company is primarily exposed to foreign exchange risk through Australian dollar denominated investments of \$610,380 (2018: \$3,609,582), which represent approximately 14.6% (2018:48.9%) 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 \$30,519 respectively (2018: \$178,096).

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 \$74,371 (May 31, 2018: \$518,608).

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 2019	2019	2018
	\$	\$
Cash and cash equivalents	14,286	57,568
Other receivables	293,106	605,871
	307,392	663,439

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 \$285,746 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 and public 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, 2019, 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, 2019.

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

c) Liquidity risk (cont'd)

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

As at May 31 2019	Less than one year	One to three years	Over three years	Total
	\$	\$	\$	\$
Financial Liabilities				
Accounts payable and accrued liabilities	883,199	8,946	-	892,145
Borrowings	-	191,686	-	191,686
Borrowings related party	101,573	145,263	-	246,836
	984,772	345,895	-	1,330,667

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

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 2019	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	2,434,370	-	-	2,434,370
Derivative financial instrument	119,560	-	-	119,560
	2,553,930	-	-	2,553,930

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

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.

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 appropriate, 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 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.

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, deleverage its statement of financial position.

The Company does not have any externally imposed capital requirements.

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15. Capital management (cont'd)

The Company's capital consists of the following:

As at May 31 2019	2019	2018
	\$	\$
Shareholders' equity (i)	5,216,492	4,224,835
Borrowings	438,522	1,330,669
Total capital	5,655,014	5,555,504

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

	2019	2018
	\$	\$
Basic earnings/(loss) per share		
Net profit/(loss) (i)	(3,628,565)	865,912
Weighted average common shares	96,415,321	47,243,299
Basic earnings/(loss) per share	(0.0367)	0.0183
Fully diluted income (loss) per share		
Net profit/(loss)	(3,628,565)	865,912
Weighted average common shares taking into effect dilutive stock options	96,415,321	54,229,601
Fully diluted earnings/(loss) per share	(0.0367)	0.0160

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:

	2019	2018
	\$	\$
Salaries	306,162	85,108
Stock options	225,972	190,000
Total Compensation	532,134	275,108

18. 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 till 30 June 2019.

19. Interest in subsidiaries

	Country of Incorporation	Equity holding 2019
<i>Parent Entity:</i>		
Lions Bay Capital Inc	Canada	n/a
<i>Subsidiaries of Lions Bay Capital Inc:</i>		
Pan Andean Capital Pty Ltd	Australia	100
<i>Its group entity being:</i>		
Consolidated Potash Corporation Ltd	Australia	46.49%
Activated Water Technologies Pty Ltd	Australia	100

20. Subsequent events

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 the fair value of net assets disposed, and the gain on disposal.