

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS FROM OPERATIONS – FOR THE QUARTER ENDED AUGUST 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 quarter ended August 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 beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements. Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. See "Risks and Uncertainties".

Nature of Operations

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

Business Strategy

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

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

Investments

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

	Cost	Fair Value August 31 2019	Cost	Fair Value May 31 2019
	\$	\$	\$	\$
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
Total	3,855,918	1,740,787	3,776,060	2,434,370

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.

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 \$1,425,400.

Results from Operations and Loss for the Quarter Ended August 31, 2019

For the three months ended 31 August	2019 \$	2018 \$
NET REALISED AND UNREALISED GAIN/(LOSS)		
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)	-
OTHER INCOME		
Interest and other income	225,080	43,250
Expenses		
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
Total expenses	289,541	406,053
Profit/(loss) before tax	(909,616)	(426,728)
Income tax (expense)/recovery	-	62,972
Profit/(loss) after tax	(909,616)	(363,756)
Share of non-controlling interest loss	29,591	23,157
	(880,025)	(340,599)
Other comprehensive income/(loss) net of tax	117,373	38,216
Net income/(loss) and total comprehensive income	(762,652)	(302,383)
Profit/(loss) per common share		
- Basic	(\$0.0090)	(\$0.0040)
- Diluted	(\$0.0090)	(\$0.0040)
Weighted average number of common shares		
- Basic	97,304,478	91,240,611
- Diluted	97,304,478	91,240,611

Results from Operations for the Quarter Ended August 31, 2019

The net loss for the quarter ended August 31, 2019 was \$0.76 million, or \$0.009 per share, compared to a net loss of \$0.3 million, or \$0.004 per share, for the quarter ended August 31, 2018.

During the three months ended August 31, 2019, the Company recorded realized capital losses of \$17,042, compared with \$153,745 for the 3 months ended 31 August 2018. This loss arose on the disposal of publically traded securities that had been marked to market in the previous quarter and then sold during the current quarter at a lower price. This loss primarily related to the disposal of Jervois Mining shares.

During the quarter ended August 31, 2019, the Company recorded \$0.75 million of net unrealized loss on investments and marketable securities. The unrealized losses were primarily attributed to the loss through mark-to-market of the Company's publicly traded investments, and in particular in relation to Fidelity Minerals Corp.

During the quarter ended August 31, 2018, the Company recorded \$0.089 million of net unrealized gain on investments and marketable securities.

Total expenses during the quarter ended August 31, 2019 were \$0.29 million compared to \$0.40 million for the quarter ended August 31, 2018. The decrease of expenses was due to Forex variances, and professional fees associated with the investment activity of the Company in the quarter being lower and offset by an increase in directors and management fees that were not as high in the prior year quarter.

Liquidity and Capital Resources

At August 31, 2019, the Company had a net working capital of \$921,673 comprised of cash of \$56,740 and total other current assets of \$864,933, which consists of other current assets of \$2,157,264 and current liabilities, being borrowings, trade and other payables of \$1,292,331.

At May 31, 2019, the Company had a net working capital of \$1,722,162 comprised of cash of \$14,286 and total current assets of \$1,707,876, which consists of other current assets of \$2,847,036 and current liabilities, being trade and other payables of \$1,139,160.

The decrease in net working capital of \$800,489 for the current quarter, is attributed primarily related to the unrealized capital losses of its Investments.

Financial Instruments

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

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

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

Contractual Obligations

The Company has trade payables of \$820,036 with an average age of less than 45 days.

Off-Balance Sheet Arrangements

None

Related Party Transactions

The key management personnel of the Company, which are defined by IFRS 24, Related Party Disclosures, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including Directors and management.

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

Critical Accounting Estimates and Judgements

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

(i) *Fair value of financial liability*

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

(ii) *Share-based payment transactions*

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

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

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

Share Information

	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>	Rolling 10% plan
Total Share Capital		
- on a fully diluted basis	<u>112,319,473</u>	

a) Authorized:

Unlimited number of common shares, without par value.

Unlimited number of preferred shares, without par value.

The Company is authorized to issue unlimited number of preferred shares without par value. No preferred shares have been issued since the Company's inception.

b) Escrow shares:

At August 31, 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.

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.