

**LIONS BAY CAPITAL INC.**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**For the Three and Six Months Ended November 30, 2022**

**(In Canadian Dollars)**

**(Unaudited – Prepared by Management)**

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

**LIIONS BAY CAPITAL INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*(in Canadian dollars)*

	Notes	Nov 30, 2022	May 31, 2022
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 377,405	\$ 553,730
Prepays and other receivables	4	110,965	28,257
Investments	6	5,852,757	10,924,068
Derivative financial instrument	5	492,766	631,594
Debt investment	7	1,277,147	1,074,359
		<b>8,111,040</b>	<b>13,212,008</b>
Exploration investment	8	520,752	479,989
<b>TOTAL ASSETS</b>		<b>\$ 8,631,792</b>	<b>\$ 13,691,997</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Trade and other payables		\$ 186,129	\$ 155,043
Borrowings	9	275,501	529,024
Taxes payable		278,374	277,848
		<b>740,004</b>	<b>961,915</b>
Deferred tax liability		824,333	1,068,000
<b>TOTAL LIABILITIES</b>		<b>1,564,337</b>	<b>2,029,915</b>
<b>Shareholders' Equity</b>			
Share capital	10	7,565,874	7,565,874
Share based payment reserves	11	569,704	569,704
Warrant reserves	11	913,374	913,374
Foreign currency translation reserves		(40,358)	(16,911)
Retained earnings (deficit)		(1,941,138)	2,630,041
<b>Total shareholders' equity</b>		<b>7,067,456</b>	<b>11,662,082</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 8,631,792</b>	<b>\$ 13,691,997</b>

Note 1 – Nature of operations and going concern

On behalf of the Board of Directors

“John Byrne”  
 Director

“Ross MacLachlan”  
 Director

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

**LIONS BAY CAPITAL INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
*(in Canadian dollars)*

	Three months ended November 30,		Six months ended November 30,	
	2022	2021	2022	2021
<b>NET REALISED AND UNREALISED GAIN/(LOSS)</b>				
Net realized gain/(loss) on disposal of marketable securities	\$ 877	\$ 1,691,183	\$ 265,367	\$ 1,992,641
Net change in unrealized gain/(loss) on marketable securities (note 6)	(1,471,488)	(384,265)	(4,533,146)	(2,166,830)
Unrealized fair value gain on derivative financial instrument (note 5)	(70,485)	(721,909)	(183,768)	(596,216)
<b>OTHER INCOME</b>				
Interest and other income (note 7)	43,849	24,213	86,552	35,241
Finance expense – accretion (note 8)	(3,860)	(70,160)	(52,827)	(128,728)
<b>Expenses</b>				
Professional fees	(122,958)	(115,572)	(203,000)	(158,111)
Directors fees	(64,038)	(66,526)	(130,163)	(132,401)
Share-based payment expense	-	(97,147)	-	(97,147)
Financing costs	(10,038)	(32,723)	(13,145)	(59,305)
Forex variance	96,473	14,893	82,490	(25,315)
General and administrative	(107,547)	(18,008)	(134,539)	(19,011)
<b>Total expenses</b>	(208,108)	(315,082)	(398,357)	(491,290)
<b>Profit/(loss) before tax</b>	(1,709,215)	223,979	(4,816,179)	(1,355,182)
Current income tax (expense)/recovery	-	(382,258)	-	(463,652)
Deferred income tax (expense)/recovery	-	(43,842)	245,000	172,288
<b>Loss after tax</b>	(1,709,215)	(202,121)	(4,571,179)	(1,646,546)
<b>Other comprehensive income/(loss)</b>	(11,859)	28,068	(23,447)	15,384
<b>Net loss and total comprehensive income</b>	(1,721,074)	(174,053)	(4,594,626)	(1,631,162)
<b>Loss per common share</b>				
- Basic	\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ (0.01)
- Diluted	(0.01)	(0.00)	(0.03)	(0.01)
<b>Weighted average number of common shares</b>				
- Basic	142,105,852	141,021,408	142,105,852	138,022,889
- Diluted	142,105,852	141,021,408	142,105,852	138,022,889

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

**LIONS BAY CAPITAL INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
*(in Canadian dollars, except share number)*

	Issued Common Shares		Foreign currency translation reserves	Share based payment reserves	Warrant reserves	Retained earnings	Total Equity
	Number	Share capital					
		\$	\$	\$	\$	\$	\$
<b>BALANCE, MAY 31, 2022</b>	<b>142,105,852</b>	<b>7,565,874</b>	<b>(16,911)</b>	<b>569,704</b>	<b>913,374</b>	<b>2,630,041</b>	<b>11,662,082</b>
Cumulative translation adjustment	-	-	(23,447)	-	-	-	(23,447)
Net loss for the year	-	-	-	-	-	(4,571,179)	(4,571,179)
<b>BALANCE, NOVEMBER 30, 2022</b>	<b>142,105,852</b>	<b>7,565,874</b>	<b>(40,358)</b>	<b>569,704</b>	<b>913,374</b>	<b>(1,941,138)</b>	<b>7,067,456</b>

  

	Issued Common Shares		Foreign currency translation reserves	Share based payment reserves	Warrant reserves	Retained earnings (deficit)	Total Equity
	Number	Share capital					
		\$	\$	\$	\$	\$	\$
<b>BALANCE, MAY 31, 2021</b>	<b>135,056,963</b>	<b>7,142,504</b>	<b>9,601</b>	<b>472,557</b>	<b>660,894</b>	<b>2,727,877</b>	<b>11,013,433</b>
Cumulative translation adjustment	-	-	15,384	-	-	-	15,384
Private placement	7,048,889	423,508	-	-	140,403	-	563,911
Share-based payment expense	-	-	-	97,147	-	-	97,147
Share issuance costs	-	(138)	-	-	-	-	(138)
Warrants issued – transaction costs	-	-	-	-	112,077	-	112,077
Net income for the year	-	-	-	-	-	(1,646,546)	(1,646,546)
<b>BALANCE, NOVEMBER 30, 2021</b>	<b>142,105,852</b>	<b>7,565,874</b>	<b>24,985</b>	<b>569,704</b>	<b>913,374</b>	<b>1,081,331</b>	<b>10,155,268</b>

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

**LIIONS BAY CAPITAL INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*( in Canadian dollars)*

	Three months ended November 30,		Six months ended November 30,	
	2022	2021	2022	2021
<b>Operating Activities</b>				
Net Income/(loss) after tax	\$ (1,709,216)	\$ (202,121)	\$ (4,571,179)	\$ (1,646,546)
Deduct/add Non-Cash & Other Items:				
Net realized (gain) on disposal of investments	(877)	(1,691,183)	(265,367)	(1,992,641)
Change in unrealized (gain) on investments	1,471,488	384,265	4,533,146	2,166,830
Change in unrealized (gain) derivatives	70,485	721,909	183,768	596,216
Exchange variation	(86,090)	(39,816)	(116,235)	11,456
Finance cost	6,796	26,347	13,145	52,873
Finance cost - accretion	32,269	70,160	58,827	128,728
Deferred tax	-	43,842	(245,000)	(172,288)
Share-based payment expense	-	97,147	-	97,147
Interest income	(43,849)	(35,239)	(86,552)	(35,239)
Tax balance movement and others	-	382,258	-	463,652
Changes in Non-Cash Working Capital:				
(Increase)/decrease in receivable	(99,126)	(246,741)	(82,709)	(259,350)
(Increase)/decrease in trade and other payable	33,527	(29,645)	30,157	(11,214)
Proceeds from disposal of marketable securities	253,935	2,047,464	904,824	2,397,461
Purchase of investments	(72,209)	(7318,509)	(163,312)	(455,059)
<b>Cash Flows From (Used In) Operating Activities</b>	<b>(142,867)</b>	<b>(1,210,138)</b>	<b>193,513</b>	<b>1,342,026</b>
<b>Investing Activities</b>				
Loan receivable	-	(223,073)	-	(736,888)
Exploration asset	(40,763)	(289,921)	(40,763)	(321,739)
<b>Cash Flows From (Used In) Investing Activities</b>	<b>(40,763)</b>	<b>(512,994)</b>	<b>(40,763)</b>	<b>(1,058,627)</b>
<b>Financing Activities</b>				
Proceed from loan	-	-	-	438,223
Repayment of loan	(16,965)	-	(357,800)	-
Proceeds from private placement	-	563,773	-	563,773
<b>Cash Flows From (Used In) Financing Activities</b>	<b>(16,965)</b>	<b>563,773</b>	<b>(357,800)</b>	<b>1,001,996</b>
<b>Net increase/(decrease) in cash</b>	<b>(200,595)</b>	<b>1,260,917</b>	<b>(205,050)</b>	<b>1,285,395</b>
<b>Effect of foreign exchange on cash</b>	<b>39,309</b>	<b>27,357</b>	<b>28,725</b>	<b>15,405</b>
<b>Cash - Beginning of period</b>	<b>538,691</b>	<b>194,855</b>	<b>553,730</b>	<b>182,329</b>
<b>Cash - End of period</b>	<b>\$ 377,405</b>	<b>\$ 1,483,129</b>	<b>\$ 377,405</b>	<b>\$ 1,483,129</b>

Supplemental cash flow information (note 15)

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

## **LIONS BAY CAPITAL INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)**

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#### **1. Nature of Operations and Going Concern**

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 Suite 1201-1166 Alberni Street, Vancouver, BC, V6E 3Z3

At November 30, 2022, the Company had working capital of \$7,371,036 which includes investments with a fair market value of \$5,852,757 and cash of \$377,405.

The Company’s ability to continue as a going concern is dependent upon the Company’s ability to generate proceeds from its investments or obtaining investor financing to meet its on-going levels of corporate overhead and investment objectives. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. In the past, the Company has been successful in obtaining financing, although there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these consolidated financial statements. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time

#### **2. Basis of Presentation**

##### **Reporting and basis of measurement**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended May 31, 2022.

## **LIONS BAY CAPITAL INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)**

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The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited interim condensed consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended May 31, 2022. In addition the accounting policies applied in these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended May 31, 2022.

The Company's interim results are not necessarily indicative of its results for a full year.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on January 27, 2023.

### **3. Summary of Significant Accounting Policies**

#### **Critical accounting estimates and judgments**

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) Determination of investment entity**

The preparation of the financial statements requires management to make significant judgments and assumptions in determining how the Company meets the definition of an investment entity as previously discussed in Note 1. Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at FVTPL in accordance with IFRS 9 rather than to consolidate them. An investment entity is an entity that meets all of the following criteria:

- a) An entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
  - o The Company's main source of financing since inception had been via funds

## **LIONS BAY CAPITAL INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2022 and 2021 (*in Canadian dollars*)**

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received from investors.

o Through ownership of the Company's shares, these investors are provided with investment management services through their right to investment returns via the performance of the Company's investments.

- b) An entity that commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- o The Company has communicated to investors via corporate documents that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.

- c) An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.
- o Substantially all of the Company's investment portfolio has been carried at fair value since inception.

Based on the analysis above, management has concluded that the Company meets the definition of an investment entity as all of the criteria are met. This will be reassessed on a continuous basis, in case any of the criteria or characteristics change.

#### **(ii) Fair value of derivative financial instruments and investments**

Derivative financial instruments are initially measured at fair value using the black-scholes valuation method and the subsequently remeasured at fair value with changes in fair value recognized in the statement of operations and comprehensive loss. The Company's investments are initially measured at fair value and subsequently remeasured at fair value with changes in fair value recognized in the statement of operations and comprehensive income (loss) (note 13).

#### **(iii) Income tax**

The group is subject to income taxes in the jurisdiction in which it operates. Significant judgment 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 Company 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.

#### **(iv) Share-based payment transactions**

Under IFRS 2 Share Based Payments, the Company 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.

**LIONS BAY CAPITAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)**

The Company provides benefits to employees (including directors) of the Company 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 Company uses the black-scholes model for the options.

**4. Prepays and Other Receivables**

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

	<b>November 30</b>	<b>May 31</b>
	<b>2022</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Prepaid expenses	-	6,241
Other receivables	110,965	22,016
	<u>110,965</u>	<u>28,257</u>

**5. Derivative Financial Instrument**

The table below provides a summary of the Company’s derivatives, consisting of warrants of Fidelity Minerals Corp., Partly Paid Parkway Corporate Limited, Arctic Star Exploration Corp. and Heavy Rare Earths Limited.

**Parkway Corporate Warrants**

<b>Issuance/Purchase Date</b>	<b>Exercise Price \$</b>	<b>Number of warrants exercisable</b>	<b>Expiry date</b>
July 28, 2019	0.019	54,534,252	July 28, 2024

**LIONS BAY CAPITAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)**

During the year ended May 31, 2022, the Partly Paid Parkway Corporate Limited options were no longer quoted and therefore have become a derivative asset and \$199,979 has been reclassified to derivative assets.

	<b>November 30, 2022</b>	<b>May 31, 2022</b>
Expected warrant life	1.67 years	2.16 years
Expected stock price volatility	138%	146%
Dividend payment during life of warrant	Nil	Nil
Risk free interest rate	3.19%	2.60%
Weighted average strike price	\$ 0.019	\$ 0.019
Weighted average fair value per warrant	\$ 0.004	\$ 0.007
Weighted average share price	\$ 0.009	\$ 0.011

**FMN Warrants**

<b>Issuance/Purchase Date</b>	<b>Exercise Price \$</b>	<b>Number of warrants exercisable</b>	<b>Expiry date</b>
April 16, 2021	0.15	1,056,000	April 16, 2023
April 16, 2022	0.11	3,500,000	October 12, 2022

  

	<b>November 30, 2022</b>	<b>May 31, 2022</b>
Expected warrant life	0.45 years	0.33 years
Expected stock price volatility	209%	77%
Dividend payment during life of warrant	Nil	Nil
Risk free interest rate	3.81%	2.67%
Weighted average strike price	\$ 0.12	\$ 0.09
Weighted average fair value per warrant	\$ 0.02	\$ 0.03
Weighted average share price	\$ 0.06	\$ 0.11

**Arctic Star Exploration Corp.**

<b>Issuance/Purchase Date</b>	<b>Exercise Price \$</b>	<b>Number of warrants exercisable</b>	<b>Expiry date</b>
May 11, 2022	0.15	100,000	May 11, 2024

**LIONS BAY CAPITAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)**

	<b>November 30, 2022</b>	<b>May 31, 2022</b>
Expected warrant life	1.45 years	2.0 years
Expected stock price volatility	134%	163%
Dividend payment during life of warrant	Nil	Nil
Risk free interest rate	3.89%	2.73%
Weighted average strike price	\$ 0.15	\$ 0.15
Weighted average fair value per warrant	\$ 0.01	\$ 0.07
Weighted average share price	\$ 0.04	\$ 0.10

**Heavy Rare Earths Limited**

<b>Issuance/Purchase Date</b>	<b>Exercise Price \$</b>	<b>Number of warrants exercisable</b>	<b>Expiry date</b>
August 24, 2022	0.30	2,000,000	August 24, 2025

  

	<b>November 30, 2022</b>	<b>May 31, 2022</b>
Expected warrant life	2.75 years	-
Expected stock price volatility	91%	-
Dividend payment during life of warrant	Nil	-
Risk free interest rate	3.27%	-
Weighted average strike price	\$ 0.30	\$ -
Weighted average fair value per warrant	\$ 0.05	\$ -
Weighted average share price	\$ 0.14	\$ -

**LIONS BAY CAPITAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)**

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	<b>Number of warrants</b>	<b>Weighted average exercise price \$</b>	<b>Derivative \$</b>
Balance, May 31, 2021	14,171,583	0.03	1,186,148
ELT Warrants acquired (note 6)	200,000	0.375	45,530
Partly Paid Parkway Corporate Limited (note 6)	54,534,252	0.019	199,979
FMN Warrants exercised (note 6)	(7,400,000)	0.05	(105,300)
Arctic Star warrants acquired (Note 6)	100,000	0.15	7,058
FMN Warrants acquired (note 6)	3,500,000	0.11	71,224
ELT Warrants exercised (note 6)	(900,000)	0.375	(265,776)
Change in fair value	-	-	(507,269)
Balance, May 31, 2022	60,705,835	0.03	631,594
HRE Warrants acquired (note 6)	2,000,000	0.30	44,940
FMN Warrants expired	(5,015,583)	0.07	-
Change in fair value	-	-	(183,768)
Balance, November 30, 2022	57,690,252	0.03	492,766

During the three months ended November 30, 2022, the Company has a total loss on derivatives of \$183,768 (2021 – loss of \$125,693).

**LIONS BAY CAPITAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)****6. Investments**

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

	<b>May 31, 2022</b>	<b>Acquired</b>	<b>Disposed</b>	<b>Gain/(Loss)</b>	<b>CTA</b>	<b>November 30, 2022</b>
	<b>Fair value</b>					<b>Fair Value</b>
Kalina Power Ltd (i)	\$ 1,106,292	\$ -	\$ -	\$ (140,873)	\$ (4,523)	\$ 960,896
Fidelity Minerals Corp(ii)	4,345,214	73,597	-	(1,877,074)	-	2,541,737
Elementos Ltd (iii)	2,837,865	-	(431,610)	(1,676,899)	(1,133)	728,223
Parkway Corporate Limited (iv)	1,657,552	-	-	(307,179)	(10,920)	1,339,453
South Harz Potash (viii)	742,276	-	(468,514)	(240,659)	-	33,103
Kalina Power Ltd. – warrants (i)	15,113	-	-	(15,113)	-	-
Meryllion Resources Corp. (vi)	52,000	-	(4,700)	19,481	-	66,781
First AU Lid - listed options (xi)	57,422	-	-	(35,580)	(155)	21,687
HRE Corporation (vii)	13,453	44,775	-	23,117	(349)	80,996
Arctic Star (ix)	24,000	-	-	(16,000)	-	8,000
Bishop Resources (x)	72,881	-	-	(1,000)	-	71,881
<b>Total</b>	<b>\$ 10,924,068</b>	<b>\$118,372</b>	<b>\$ (904,824)</b>	<b>\$(4,267,779)</b>	<b>\$ (17,080)</b>	<b>\$ 5,852,757</b>

The Company recorded an unrealized loss of \$4,533,146 on investments and recognized a realized gain of \$265,367 upon the disposal shares for proceeds of \$904,824.

**LIIONS BAY CAPITAL INC.**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)**

	<b>May 31, 2021 Fair value</b>	<b>Acquired</b>	<b>Disposed</b>	<b>Gain/(Loss)</b>	<b>CTA</b>	<b>May 31, 2022 Fair Value</b>
Kalina Power Ltd (i)	\$ 1,092,121	\$ 545,044	\$ -	\$ (514,551)	\$ (16,322)	\$ 1,106,292
Fidelity Minerals Corp(ii)	2,932,715	1,347,020	-	65,479	-	4,345,214
Eurotin Inc (v)	200,001	-	(850,467)	650,466	-	-
Elementos Ltd (iii)	3,808,551	552,047	(2,871,726)	1,367,094	(18,101)	2,837,865
Parkway Corporate Limited (iv)	2,096,407	-	(88,302)	(308,409)	(42,144)	1,657,552
Partly Paid Parkway Corporate Limited (iv)	199,979	-	(199,979)	-	-	-
South Harz Potash (viii)	900,003	-	(797,691)	639,964	-	742,276
Kalina Power Ltd. – warrants (i)	26,055	4,341	-	(15,283)	-	15,113
Meryllion Resources Corp. (vi)	86,250	-	(8,212)	(26,038)	-	52,000
First AU Lid - listed options (xi)	114,158	-	-	(55,272)	(1,464)	57,422
HRE Corporation (vii)	-	13,818	-	-	(365)	13,453
Arctic Star (ix)	-	8,942	-	15,058	-	24,000
Bishop Resources (x)	-	75,073	-	(2,192)	-	72,881
<b>Total</b>	<b>\$ 11,456,240</b>	<b>\$2,546,285</b>	<b>\$ (4,816,377)</b>	<b>\$1,816,316</b>	<b>\$ (78,396)</b>	<b>\$ 10,924,068</b>

The Company recorded an unrealized loss of \$1,701,286 on investments and recognized a realized gain of \$3,517,602 upon the disposal shares for proceeds of \$4,616,398.

	<b>Cost Nov 30 2022 \$</b>	<b>Fair Value Nov 30 2022 \$</b>	<b>Cost May 31 2022 \$</b>	<b>Fair Value May 31 2022 \$</b>
Kalina Power Ltd (i)	1,716,904	960,896	1,716,904	1,106,292
Fidelity Minerals Corp (ii)	4,484,791	2,541,737	4,411,194	4,345,214
Elementos Ltd (iii)	779,005	728,223	1,050,928	2,837,865
Parkway Corporate Limited (iv)	531,551	1,339,453	531,551	1,657,552
South Harz Potash Ltd. (viii)	45,654	33,103	258,854	742,276
Kalina Power Ltd. – warrants (i)	-	-	15,741	15,113
Meryllion Resources Corp. (vi)	34,786	66,781	37,250	52,000
First AU Lid - listed options (xi)	95,730	21,687	95,730	57,422
HRE Corporation (vii)	104,768	80,996	13,818	13,453
Arctic Star (ix)	16,000	8,000	16,000	24,000
Bishop Resources (x)	75,073	71,881	75,073	72,881
<b>Total</b>	<b>7,884,262</b>	<b>5,852,757</b>	<b>8,223,043</b>	<b>10,924,068</b>

## LIONS BAY CAPITAL INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2022 and 2021 *(in Canadian dollars)*

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- (i) During the year ended May 31, 2021, the Company participated in a private placement for a total of \$47,460 for total shares of 2,000,000. The Company also bought from the public markets 14,200,000 shares at a cost of \$671,945. As part of the private placement the Company received 2,000,000 warrants fair valued at \$11,400 netted in the cost of the investment. These warrants are quoted and traded on an exchange. The Company also sold 10,000,000 shares for proceeds of \$476,017.
- (ii) During the six months ended November 30, 2022, the Company purchased from the public markets 929,500 shares at a cost of \$73,597.

During the year ended May 31, 2021, the Company participated in private placements for a total of \$532,935 for total shares of 10,071,583. The Company also bought from the public markets 5,326,000 shares at a cost of \$625,855. As part of the private placement the Company received 10,071,583 warrants fair valued at \$387,547 netted in the cost of the investment (note 6). The fair value of the warrants received were calculated using the Black-Scholes option pricing model with the following weighted average assumptions: 0.29% risk free interest rate, expected life of 1.8 years, 174% annualized volatility and 0% dividend rate.

- (iii) During the six months ended November 30, 2022, the Company sold 1,500,000 shares for proceeds of \$431,610.

During the year ended May 31, 2021, the Company participated in private placements for a total of \$338,138 for total shares of 35,000,000. The Company also bought from the public markets 15,000,000 shares at a cost of \$215,812. As part of the private placement the Company received 700,000 warrants fair valued at \$209,200 netted in the cost of the investment (note 6). The fair value of the warrants received were calculated using the Black-Scholes option pricing model with the following weighted average assumptions: 0.07% risk free interest rate, expected life of 1 years, 183% annualized volatility and 0% dividend rate.

- (iv) During the year ended May 31, 2021, the Company purchased 10,000,000 shares of PWN from the public markets at a cost of \$144,081 and sold 58,094,414 shares for proceeds of \$1,388,284.
- (v) During the year ended May 31, 2021, the Company participated in a private placement for a total of \$48,750 for total shares of 750,000.
- (vi) During the six months ended November 30, 2022, the Company sold 43,000 common shares for proceeds of \$4,700.  
During the year ended May 31, 2022, the Company sold 100,000 common shares for proceeds of \$8,212.

## **LIONS BAY CAPITAL INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2022 and 2021 (*in Canadian dollars*)**

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- (vii) During the six months ended November 30, 2022, the Company purchased 500,000 common shares of HRE Corporation which is a private company for proceeds of \$89,715. As part of the private placement the Company received 2,000,000 warrants fair valued at \$44,940 netted in the cost of the investment (note 5). The fair value of the warrants received were calculated using the Black-Scholes option pricing model with the following weighted average assumptions: 3.08% risk free interest rate, expected life of 3.0 years, 25% annualized volatility and 0% dividend rate.

During the year ended May 31, 2022, the Company purchased 150,000 common shares of HRE Corporation which is a private company for proceeds of \$13,818.

- (viii) During the six months ended November 30, 2022, the Company sold 4,670,000 common shares for proceeds of \$468,514.

During the year ended May 31, 2022, the Company sold 4,479,978 common shares for proceeds of \$797,691.

- (ix) During the year ended May 31, 2022, the Company also participated in a private placement for a total of \$16,000 for a total of 200,000 units. As part of the private placement the Company received 100,000 warrants fair valued at \$7,058 netted in the cost of the investment (note 6). The fair value of the warrants received were calculated using the Black-Scholes option pricing model with the following weighted average assumptions: 2.73% risk free interest rate, expected life of 2.0 years, 163% annualized volatility and 0% dividend rate.

- (x) During the year ended May 31, 2022, the Company participated in a private placement for a total of \$75,073 for a total of 500,000 shares.

- (xi) During the year ended May 31, 2022, the Company purchased listed options for a total of \$95,730 for total shares of 20,000,000.

As at November 30, 2022 the Company's investments consisted of the following:

- 1) Parkway Corporate Limited - listed on the ASX (PWN). The Company owns 167,000,000 (May 31, 2022 – 167,000,000) which represents 7.55% (May 31, 2022 – 7.55%) of the outstanding common shares of Parkway Corporate Limited valued at \$1,339,453 (May 31, 2022 - \$1,657,552).
- 2) Kalina Power Ltd - listed on the ASX (KPO). The Company owns 51,118,115 (May 31, 2022 – 51,118,115) which represents 3.37% (May 31, 2022 – 3.25%) of the outstanding common shares of Kalina Power Ltd. valued at \$960,896 (May 31, 2022 - \$1,106,292). The Company

## LIONS BAY CAPITAL INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2022 and 2021 *(in Canadian dollars)*

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also holds nil Kalina Power Ltd. Warrants (May 31, 2022 – 4,000,000) which were exercisable at AUD \$0.044 and expired on August 27, 2022 valued at \$nil (May 31, 2022 - \$15,113). Kalina is considered a related party by virtue of a common director.

- 3) Elementos Ltd. - listed on the ASX (ELT). The Company owns 3,456,549 (May 31, 2022 – 4,456,549) which represents 1.94% (May 31, 2022 – 2.52%) of the outstanding common shares of Elementos Ltd. valued at \$728,223 (May 31, 2022 - \$2,837,865).
- 4) South Harz Potash (formerly “Davenport Resources Ltd”) - listed on the ASX (SHP). The Company owns 1,000,022 (May 31, 2022 – 5,670,022) which represents 0.17% (May 31, 2022 – 1.07%) of the outstanding common shares of South Harz Potash Ltd. valued at \$33,103 (May 31, 2022 - \$742,276).
- 5) Fidelity Minerals Corp - listed on the TSXV (FMN). The Company owns 42,312,311 (May 31, 2022 – 41,382,811) which represents 49.32% (May 31, 2022 – 48.79%) of the outstanding common shares of FMN valued at \$2,541,737 (May 31, 2022 - \$4,345,214). FMN is considered a related party by virtue of a common officers and directors.
- 6) Meryllion Resources Corp. - listed on the CSE (MYR). The Company owns 607,000 (May 31, 2022 – 650,000) which represents 2.18% (May 31, 2022 – 2.33%) of the outstanding common shares of Meryllion Resources Corp. valued at \$66,781 (May 31, 2022 - \$52,000).
- 7) First AU Limited – The Company holds 20,000,000 (May 31, 2022 – 20,000,000) warrants of First AU Limited which are exercisable at AUD \$0.02 expiring July 1, 2023, valued at \$21,687 (May 31, 2022 - \$57,422) using the free-trading market price of the warrants.
- 8) Arctic Star Exploration Corp. - listed on the TSX-V (ADD). The Company owns 200,000 (May 31, 2022 – 200,000) which represents 0.10% (May 31, 2022 – 0.16%) of the outstanding common shares of Arctic Star valued at \$8,000 (May 31, 2022 - \$24,000).
- 9) HRE Corporation – private company. The Company owns 650,000 (May 31, 2022 – 150,000) of the outstanding common shares of HRE Corporation valued at \$80,996 (May 31, 2022 - \$13,453).
- 10) Bishop Resources – private company. The Company owns 500,000 (May 31, 2022 – 500,000) of the outstanding common shares of HRE Corporation valued at \$71,881 (May 31, 2022 - \$72,881).

## **LIONS BAY CAPITAL INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)**

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#### **7. Debt Investment**

On June 16, 2021, the Company entered into a loan and option agreement with Salamander Mining International Ltd. (“Salamander”).

Under the terms of the agreement the Company will:

- Loan Salamander up to USD \$1 million secured by a first charge over its assets;
- Receive interest of 15% on the outstanding balance.
- The loan will be repaid on a monthly basis from the free cash flow from the Joyce tailings project upon commencement of the project, with total term of the loan being 18 months;
- Receive a raising fee entitling the Company to 25% of the free cash flow of the Joyce tailings project in Zimbabwe;
- Be granted a 9-month option to acquire 100% of Salamander in return for the issuance of 100 million the Company’s common shares; (expired)
- Be mandated to secure a public listing of Salamander on an appropriate recognized international stock exchange (expired); and
- Receive a 12-month option to acquire 20% of Salamander for \$2 million (expired)

As at November 30, 2022, the Company has advanced \$1,045,783 (USD \$767,350) under the terms of the loan. During the six months ended November 30, 2022, the Company has recorded interest income of \$86,552 (May 31,2022: \$101,277) for a total interest accrual of \$231,364. As at November 30, 2022, the Company used a market and calibration approach to fair value the debt investment. This market approach to valuation, where a prior (and the most recent) investment transaction is used to establish the value of the overall business enterprise, by calibrating to the original investment price. Under the assumption that the original transaction price was fair value at initial recognition, adjustments (if necessary) are applied to the valuation date based on quantitative and qualitative factors.

#### **8. Exploration Investment**

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

## LIONS BAY CAPITAL INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2022 and 2021 *(in Canadian dollars)*

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#### Savic Exploration Investment

On August 23, 2021, the Company entered into an option agreement, which if exercised, enables the Company to enter into a joint venture (“JV”) on rare earth exploration licenses in Western Victoria, Australia which are held by Savic Pty Ltd. (“Savic”). Under the terms of the option agreement, the Company will pay an option fee of AUD \$200,000 (CAD \$183,000) (paid) to enable it to carry out a 4-month evaluation of the area. At the end of the option period the Company has the right to enter a JV agreement under which it can earn a 50% interest in the Savic areas by spending AUD \$5.0 million (CAD \$4.57 million) over 3 years. At the end of the 4-month period, Savic had the right to put 100% of the areas to the Company in return for 50 million common shares of the Company. This right can only be put if the Company’s share price has averaged more than \$0.25 for the previous five trading days. This right was initially valued at \$nil and has now expired.

During the six months ended November 30, 2022, the Company has capitalized \$445,696 (May 31, 2022: \$445,696) related to the exploration activities of the project.

#### Epic Minerals Exploration Investment

During the six months ended November 30, 2022, the Company has capitalized \$75,056 (May 31, 2022: \$34,293) related to the exploration activities of Epic Minerals which is engaged in the business of exploring for tin, gold, copper and other minerals in Queensland, Australia. During the six months ended November 30, 2022, the Company entered into an option agreement to earn into a portfolio or claims in Queensland, Australia under the following terms:

- Pay AUD \$10,000 to optionor 14 days after signing the agreement,
- Spend AUD \$50,000 to earn a 10% interest in the project,
- Spend a further AUD \$250,000 to earn a 51% interest in the project,
- Spend a further AUD \$500,000 to earn a 90% interest in the project, and
- Upon earning a 90% interest, the optionor will retain a 10% free carried interest

Exploration investment	Savic	Epic Minerals	Total
Balance at May 31 2022	\$ 445,696	\$ 34,293	\$ 479,989
Additions	-	40,763	40,763
Balance at November 30, 2022	\$ 445,696	\$ 75,056	\$ 520,752

**LIONS BAY CAPITAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)****9. Borrowings**

	<b>May 31, 2021</b>	<b>Draw</b>	<b>Interest</b>	<b>Repayment</b>	<b>Trans Costs</b>	<b>Amort</b>	<b>FX</b>	<b>Nov 30, 2022</b>
Riverfort 1 – secured (i)	\$ 52,314	\$ -	\$ -	(52,314)	\$ -	\$ -	\$ -	-
Riverfort 2 – secured (i)	323,014	-	5,421	(288,521)	-	38,782	12,361	91,057
Riverfort 3 – secured (i)	122,516	-	7,507	-	-	14,045	26,269	170,337
Borrowings – related party (ii)	31,180	-	217	(16,965)	-	-	(325)	14,107
<b>Total</b>	<b>\$ 529,024</b>	<b>\$ -</b>	<b>\$ 13,145</b>	<b>\$ (357,800)</b>	<b>\$ -</b>	<b>\$58,827</b>	<b>\$38,305</b>	<b>\$ 275,501</b>
<b>Classified as current</b>								<b>\$ 275,501</b>

	<b>May 31, 2021</b>	<b>Draw</b>	<b>Interest</b>	<b>Repayment</b>	<b>Trans Costs</b>	<b>Amort</b>	<b>FX</b>	<b>May 31, 2022</b>
Riverfort 1 – secured (i)	\$ 454,778	-	68,225	(631,550)	-	156,754	4,107	52,314
Riverfort 2 – secured (i)	-	310,013	34,457	-	(116,559)	71,206	23,897	323,014
Riverfort 3 – secured (i)	-	128,210	3,774	-	(40,598)	21,796	9,334	122,516
Borrowings – related party (ii)	59,417	-	3,456	(30,688)	-	-	(1,005)	31,180
<b>Total</b>	<b>\$ 514,195</b>	<b>\$ 438,223</b>	<b>\$ 109,912</b>	<b>\$ (662,238)</b>	<b>\$(157,157)</b>	<b>\$249,756</b>	<b>\$36,333</b>	<b>\$ 529,024</b>

**(i) Riverfort 1**

On April 22, 2021, the Company drew down USD \$500,000 from the Riverfort facility. The advance has a 12-month term, bears interest at 12% per annum and was subject to an implementation fee of USD \$35,000 and incurred USD \$10,000 in other transaction costs for total transaction costs of \$58,150. The advance is secured by a guarantee from the Company and its wholly owned subsidiary, Pan Andean and a pledge by Pan Andean of certain of the investments held by Pan Andean. As part of the draw down, the Company issued 2,560,991 warrants exercisable at \$0.11 for a period of 12 months. The fair value of \$117,897 was recorded as a reduction of the loan and will be amortized over the term of

## **LIONS BAY CAPITAL INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)**

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the loan. The fair value of the warrants received were calculated using the Black-Scholes option pricing model with the following weighted average assumptions: 0.31% risk free interest rate, expected life of 1 years, 162% annualized volatility and 0% dividend rate. During the six months ended November 30, 2022, the Company fully repaid the loan of \$52,314 in principal and interest.

#### **Riverfort 2**

On June 30, 2021, the Company amended the secured loan facility (“Loan Facility”) with Riverfort Global Capital Ltd. on behalf of Riverfort Global Opportunities PCC Ltd. (the “Lender”). The Loan Facility has amended the previously announced secured facility and amended on July 4, 2019 to increase the Loan Facility to USD \$2.0 million. Concurrent with the amendment the Company arranged for the advancement of USD \$250,000 for a total of USD \$750,000 advanced on the Loan Facility. As part of the new advance, the Company issued 1,438,686 warrants exercisable at \$0.095 for a period of 18 months to the Lender. The fair value of \$81,274 was recorded as a reduction of the loan and will be amortized over the term of the loan. The fair value of the warrants received were calculated using the Black-Scholes option pricing model with the following weighted average assumptions: 0.44% risk free interest rate, expected life of 1.5 years, 148% annualized volatility and 0% dividend rate.

The additional advance has an 18-month term, with 70% of the advance payable in 12 months with 5% of the advance payable monthly in each of the last 6 months. The additional advance bears interest at 12% per annum and is subject to an implementation fee of 7%. During the six months ended November 30, 2022, the Company repaid \$288,521 in principal and interest.

#### **Riverfort 3**

On August 20, 2021, the Company drew down an additional USD \$100,000 on the Riverfort facility and issued 592,939 warrants exercisable at \$0.095 for a period of 18 months to the Lender. The fair value of \$30,803 was recorded as a reduction of the loan and will be amortized over the term of the loan. The fair value of the warrants received were calculated using the Black-Scholes option pricing model with the following weighted average assumptions: 0.45% risk free interest rate, expected life of 1.5 years, 147% annualized volatility and 0% dividend rate.

The additional advance has an 18-month term, with 70% of the advance payable in 12 months with 5% of the advance payable monthly in each of the last 6 months. The additional advance bears interest at 12% per annum and is subject to an implementation fee of 7%.

- (ii) Interest payable at 10% per annum and is due on demand.

## **LIONS BAY CAPITAL INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)**

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#### **10. Share Capital**

a) Authorized:

Unlimited number of common shares, without par value.

Unlimited number of preferred shares, without par value.

The Company is authorized to issue unlimited number of preferred shares without par value.

No preferred shares have been issued since the Company's inception.

- b) On September 14, 2021, the Company issued 7,048,889 units at \$0.08 per unit for gross proceeds of \$563,911. Each unit consists of one common share and one-half of a transferable share purchase warrant with each full warrant exercisable into an additional common share at \$0.10 per share for a period of 2 years. The fair value of the warrants issued was calculated as \$0.04 per warrant and was determined using the relative fair value method on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.40% risk free interest rate, expected life of 2.0 years, 146% annualized volatility and 0% dividend rate. The share purchase warrant's relative fair value of \$140,403 was allocated to the warrant and recorded in reserves. The Company incurred share issuance costs of \$138 related to the financing.

#### **11. Stock Options and Warrants**

The Company has established a stock option plan for its directors, officers and consultants under which the Company may grant options from time to time to acquire a maximum of 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. Unless otherwise stated, the options fully vest when granted.

**LIONS BAY CAPITAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)**

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

	<b>November 30, 2022</b>		<b>May 31, 2022</b>	
	<b>Number of options</b>	<b>Exercise price \$</b>	<b>Number of options</b>	<b>Exercise price \$</b>
Options outstanding beginning of the year	1,400,000	0.10	-	-
Options cancelled	-	-	-	-
Options issued	-	-	1,400,000	0.10
Options outstanding	<u>1,400,000</u>	<u>0.10</u>	<u>1,400,000</u>	<u>0.10</u>
	<b>Number of warrants</b>	<b>Exercise price \$</b>	<b>Number of warrants</b>	<b>Exercise price \$</b>
Warrants outstanding, beginning of the year	24,353,213	0.09	21,358,054	0.09
Warrants granted	-	-	5,556,070	0.10
Warrants expired	(18,797,143)	0.085	(2,560,911)	0.11
Warrants outstanding	<u>5,556,070</u>	<u>0.10</u>	<u>24,353,213</u>	<u>0.09</u>

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

<b>Number of options/warrants outstanding</b>	<b>Exercise Price \$</b>	<b>Number of warrants exercisable</b>	<b>Weighted average remaining life (years)</b>	<b>Expiry date</b>
1,438,686	0.095	1,438,686	0.33	December 28, 2022
592,939	0.095	592,939	0.47	February 18, 2023
3,524,445	0.10	3,524,445	1.04	September 14, 2023
1,400,000	0.10	1,400,000	0.99	August 27, 2023

**12. Capital Management**

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

**LIONS BAY CAPITAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)**

The Company's capital consists of shareholder's equity. 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.

**13. Fair value measurement**

The following tables summarize the valuation of the Company's financial assets and liabilities reported at fair value by the fair value hierarchy levels:

<b>As at November 30, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Investments	5,780,876	71,881	-	5,852,757
Derivative financial instrument (note 5)	-	-	492,766	492,766
Debt investment (note 7)	-	-	1,277,147	1,277,147
	<b>5,780,876</b>	<b>71,881</b>	<b>1,769,913</b>	<b>7,622,670</b>

<b>As at May 31, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Investments	10,837,734	86,334	-	10,924,068
Derivative financial instrument (note 5)	-	-	631,594	631,594
Debt investment (note 7)	-	-	1,074,359	1,074,359
	<b>10,837,734</b>	<b>86,334</b>	<b>1,705,953</b>	<b>12,630,021</b>

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. During the year ended May 31, 2022, the Partly Paid Parkway Corporate Limited warrants ceased to be traded on a quoted market and the warrants moved from investments fair valued at level 1 to derivative financial instruments fair valued at level 3. For the six months ended November 30, 2022 there were no transfers between the various levels of the fair value hierarchy

## **LIONS BAY CAPITAL INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)**

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#### **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.

##### *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 includes 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 November 30, 2022, if interest rates were higher by 1% per annum, the potential effect to the Company would change in net income (loss) of approximately \$2,755 (May 31, 2022: \$5,290).

##### *Currency risk*

Changes in currency rates will impact the carrying value of instruments denominated in currencies other than the Canadian dollar. As at November 30, 2022, the Company is primarily exposed to foreign exchange risk through Australian dollar denominated investments of \$3,236,249 (May 31, 2022: \$6,502,854), which represent approximately 55.3% (May 31, 2022: 59.5%) of total investments. 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 \$161,812 respectively (May 31, 2022: \$325,298).

##### *Price risk*

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company's 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 \$585,276 (May 31, 2022: \$1,092,717).

## **LIONS BAY CAPITAL INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)**

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

#### *Listed securities*

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

#### Unlisted securities

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

For unlisted equity instruments:

- Investments are valued at cost for a limited period after the date of acquisition, if the purchase price remains representative of the fair value at the reporting date; otherwise, investments are valued using one of the other methodologies detailed below.
- Investments in which there has been recent or in-progress funding round involving significant financing from external investors are valued at the price of the recent funding, whereby the various shareholder categories rights are taken into account in the valuation. The price is adjusted, where appropriate, if an external investor is motivated by strategic considerations.
- 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

## LIONS BAY CAPITAL INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2022 and 2021 (*in Canadian dollars*)

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length investor are valued at the price of the recent trade and are adjusted, as appropriated, if the purchaser is motivated by strategic considerations.

- Investments in early-stage companies not generating sustainable revenue or earnings and for which there has not been any recent independent funding are valued using alternative methodologies. The Company considers investee company performance relative to plan, going concern risk, continued funding availability, comparable peer group valuations, exit market conditions and general sector conditions and calibrates its valuation of each investment as appropriate.
- For public company warrants (i.e., the underlying security of which is traded on a recognized stock exchange), valuation models such as the Black-Scholes model are used when there are sufficient and reliable observable market inputs. These market inputs include risk-free interest rate, exercise price, market price at date of valuation, expected dividend yield, expected life of the instrument and expected volatility of the underlying security. To the extent that the market inputs are insufficient or unreliable, the warrants are valued at their intrinsic value, which is equal to the higher of the closing price of the underlying security less the exercise price of the warrant, or nil. For private company warrants, the underlying security is not traded on a recognized stock exchange, therefore fair value is determined consistent with other investments that do not have an active market, as described above.

Fair values for unlisted debt instruments are determined as follows:

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

The Company may apply a further illiquidity discount to the fair value of an investment if conditions exist that could make it challenging to monetize the investment in the near term at a price indicated by the valuation models. The amount illiquidity discount applied requires considerable judgment and is based on the facts and circumstances of each investment. As at November 30, 2022, the Company has investment in the un-listed securities of Bishop Resources.

**LIONS BAY CAPITAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED NOVEMBER 30, 2022 and 2021 (in Canadian dollars)**

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**14. Related party transactions**

The key management personnel of the Company are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including Directors and management.

During the six months ended November 30, 2022, 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. During the six months ended November 30, 2022 total fee charged was \$120,000 (2021 - \$120,000). Total amount accrued for Twenty-Second Yeneb Pty Limited as at November 30, 2022, which included fees and business expenses was \$nil (May 31, 2022 - \$25,724).

During the six months ended November 30, 2022, a company controlled by Anthony Balic charged fees for CFO services of \$52,500 (2022 - \$30,000). As at November 30, 2022, the amount owed was \$27,562 (May 31, 2022 - \$nil).

During the six months ended November 30, 2022, the Company was charged directors fees of \$12,000 (2022 - \$12,000) by Ross MacLachlan. As at November 30, 2022, the Company had \$48,178 (2022 - \$38,178) payable to Ross. During the six months ended November 30, 2022, the Company paid Kalina Power Ltd. \$10,773 (2022 - \$11,133) for management services. As at November 30, 2022 the Company had accounts payable of \$nil (2022 - \$16,628) outstanding to Kalina Power Ltd. which is considered a related party by virtue of a common director.

During the six months ended November 30, 2022, Twenty-Second Yeneb Pty Limited, a company controlled by John Byrne advanced a loan to the Company. Interest payable at 10% per annum. As at November 30, 2022, total loan and interest outstanding is \$14,108 (May 31, 2022 - \$31,180).

**15. Supplemental cash flow information**

	<u>November 30,</u> <u>2022</u>	<u>November 30,</u> <u>2021</u>
Warrants issued for debt transaction costs	\$ -	\$ 112,077
Cash paid for interest	-	-
Cash paid for taxes	-	-

## **LIONS BAY CAPITAL INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2022 and 2021 *(in Canadian dollars)***

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#### **16. Subsequent event**

Subsequent to period end on December 21, 2022, the Company announced that it has arranged a subsequent advance of USD \$373,118.28, inclusive of a deemed advance of USD \$191,000 which was currently owed and outstanding and restructured into the current advance, from Riverfort Global Capital Ltd. on behalf of Riverfort Global Opportunities PCC Ltd. (the "Lender") on the company's amended secured loan facility.

The total advance has an 18-month term, with 70% of the advance payable in 12 months with 5% of the advance payable monthly in each of the last 6 months. The additional advance bears interest at 12% per annum and is subject to an implementation fee of 7%. The advance is secured by a guarantee from the Company and its wholly owned subsidiary, Pan Andean Capital Pty Ltd. ("Pan Andean") and a pledge by the Company and Pan Andean of certain of the investments held.

As part of the advance, the Company has agreed to grant the Lender an option to purchase 3,500,000 shares of Fidelity Minerals Corp. that the Company currently holds at a price of \$0.07 per share for a period of 24 months.