

LIONS BAY CAPITAL INC.

Management's Discussion and Analysis

Period ended – August 31, 2024

(Expressed in Canadian dollars, unless otherwise noted)

October 29, 2024

This Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Lions Bay Capital Inc. ("Lions Bay" or the "Company") together with its subsidiaries as of the date of this report, and is intended to supplement and complement the Company's unaudited condensed interim consolidated financial statements for the three months ended August 31, 2024. Readers are cautioned that this MD&A contains forward-looking statements and that actual events may vary from management's expectations. The Company's public disclosure documents are available on SEDAR at www.sedarplus.ca. The condensed interim consolidated financial statements and MD&A are presented in Canadian Dollars, except where noted, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This Management's Discussion and Analysis should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2024, and the unaudited condensed consolidated interim financial statements for the three months ended August 31, 2024, and related notes thereto which have been prepared in accordance with International Financial Reporting Standards.

The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The years ended May 31, 2024 and May 31, 2023 are also referred to as "fiscal 2024" and "fiscal 2023", respectively. All amounts are presented in Canadian dollars, the Company's reporting and presentation currency, unless otherwise stated. Statements are subject to the risks and uncertainties identified in the "Risks and Uncertainties" and "Cautionary Note Regarding Forward-Looking Statements" sections of this document.

CORPORATE OVERVIEW

Overview

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. In addition, the Company will also Lions Bay also seed new companies with a view to these companies going Public in the future. This investment is generally by way of the provision of loan funds from Lions Bay.

Going Concern

At August 31, 2024, the Company had working capital of \$827,059 which includes investments with a fair market value of \$2,589,872 and cash of \$13,883.

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.

Business Strategy

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

Lions Bay has a current portfolio of investments that cover gold, energy, diamonds, rare earths, copper, tin and potash.

The investment portfolio comprises public trading shares in Kalina Power Limited (energy), Heavy Rare Earths Limited (rare earths), all listed on the Australian Securities Exchange. Further investments comprise public trading shares on the TSX-V, namely, Fidelity Minerals Corp. (gold and copper), Arctic Star (diamonds), warrants that are listed and quoted on an exchange in addition to Bishop Resources which is a privately listed company. The Company also has an exploration investment in Epic Minerals (tin) and in fiscal 2023, the Company added a debt investment (GnT Mining Proprietary Limited) and investment in Greensand Australia Pty Ltd (potash) to its portfolio of investments.

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.

HIGHLIGHTS – AUGUST 31, 2024

- As at August 31, 2024 and May 31, 2024, the Company’s investment portfolio had the following cost and fair market value:

	Cost	Fair Value	Cost	Fair Value
	Aug 31	Aug 31	May 31	May 31
	2024	2024	2024	2024
	\$	\$	\$	\$
Kalina Power Ltd	1,936,026	697,411	1,936,026	395,385
Fidelity Minerals Corp	4,906,625	1,798,670	4,481,625	1,715,622
Heavy Rare Earth Limited	101,958	18,852	101,958	21,715
Arctic Star	16,000	3,000	16,000	5,000
Bishop Resources	75,073	71,939	75,073	72,571
Total	7,035,682	2,589,872	6,610,682	2,210,293

- As at August 31, 2024 and May 31, 2024, the Company's other investments had the following carrying values:

	August 31, 2024	May 31, 2024
Exploration investments	369,638	314,265
Investment in Greensand	166,225	163,978
Related party loan	303,216	622,327
Debt investment	1,708,942	1,736,088

SUMMARY OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)

For the three months ended 31 August	2024 \$	2023 \$
NET INVESTMENT GAIN/(LOSS)		
Net realized gain/(loss) on disposal of marketable securities	-	440,379
Net change in unrealized gain/(loss) on marketable securities	(47,856)	(1,343,642)
Unrealized fair value gain on derivative financial instrument	(3,189)	(12,910)
Interest and other income	2,806	68,028
Gain on fair value change of Fidelity option	33,113	66,158
	(15,126)	(781,987)
OTHER INCOME (EXPENSE)		
Finance expense – accretion	-	(33,888)
Professional fees	(76,454)	(67,497)
Directors fees	(66,024)	(66,362)
Financing costs	(8,293)	(7,175)
Forex variance	(42,692)	(35,908)
General and administrative	(40,701)	(44,673)
Gain on purchase of related party loan	47,200	-
TOTAL EXPENSES	(186,964)	(255,503)
NET LOSS	(202,090)	(1,037,490)
OTHER COMPREHENSIVE INCOME/(LOSS)	(7,293)	5,626
NET LOSS AND TOTAL COMPREHENSIVE LOSS	(209,383)	(1,031,864)
NET LOSS ATTRIBUTABLE TO:		
Owners of the Company	(201,290)	(1,036,795)
Non-controlling interest	(800)	(695)
	(202,090)	(1,037,490)
OTHER COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Owners of the Company	(7,293)	5,626
Non-controlling interest	-	-
	(7,293)	5,626
Loss per common share		
- Basic and diluted	(\$0.00)	(\$0.01)
Weighted average number of common shares		
- Basic and diluted	142,105,852	142,105,852

Results from Operations for the Three-Month Period Ended August 31, 2024

Net loss for the three months ended October 31, 2024, was \$202K, or \$0.00 loss per share, compared to net loss of \$1.04 million, or \$0.01 loss per share in 2023.

During the three months ended August 31, 2024, the Company recorded a realized loss of \$nil related to the sale of shares from the investment portfolio compared to a realized gain of \$440K in 2023. During the three months ended August 31, 2024, the Company recorded an unrealized loss of \$48K on its investment portfolio compared to an unrealized loss of \$1.3 million in 2023. The unrealized loss in the current period was triggered by the net impact of the change in fair value of the investment portfolio. In addition, the Company recorded a \$3K loss on derivative financial instruments related to warrants, which decreased in fair value. The Company had a lower interest and other income balance in the current period compared to prior year due to the decrease in interest receivable recorded from the Salamander loan receivable as the new loan is not interest bearing until May 2025. The Company recorded a \$33K gain on fair value change of Fidelity option due to the decrease in share price of Fidelity shares.

Total expenses during the three months ended August 31, 2024, were \$187K compared to \$255K for the comparative period in 2023. The decrease from 2023 was due to gain on purchase of related party loan recorded in the current period.

Consolidated quarterly loss – 8 quarters historic trend

	August 31, 2024	May 31, 2024	February 29, 2024	November 30, 2023	August 31, 2023	May 31, 2023	February 28, 2023	November 30, 2022
	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Net realized gain and (loss)	\$ -	\$ (78,456)	\$ (133,299)	\$ (1,406)	\$ 440,379	\$ 499,840	\$ -	\$ 877
Net unrealized gain and (loss)	(47,856)	35,597	(699,082)	(288,121)	(1,343,642)	262,853	(602,705)	(1,471,488)
Fair value gain (loss) on derivative instruments	(3,189)	(30,365)	(75,857)	(90,384)	(12,910)	(182,787)	(96,685)	(70,485)
Interest income	2,806	(176,722)	75,527	71,084	68,028	42,571	62,724	43,849
Total expenses	(186,964)	(405,926)	(128,937)	(206,426)	(121,317)	(539,663)	(573,890)	(208,108)
Profit (loss) after tax Basic/Diluted earnings (loss) per share	(202,090) (0.00)	(123,940) (0.00)	(1,508,067) (0.01)	(447,225) (0.00)	(1,037,490) (0.01)	826,898 0.01	(1,210,555) (0.01)	(1,709,215) (0.01)
Total assets	\$5,332,260	\$5,235,442	\$5,697,327	\$6,206,544	\$6,510,907	\$8,126,697	\$7,822,876	\$8,111,040

Three months ended August 31, 2024 vs. previous quarters

Net realized loss from investments was \$nil in the current quarter as the Company did not sell any investments in the current period.

Net unrealized gains and losses fluctuate throughout the year dependent on investment’s price performance. There was a loss on derivative instruments recorded as there was a decrease in the share price of the warrants held.

Interest income was \$3K in the current quarter related to the interest receivable recorded on the GnT loan and was lower than comparative quarters as the new Salamander loan is not interest bearing until May 2025.

Total cash expenses fluctuate with the changes in foreign exchange as the debt is denominated in USD which causes large foreign exchange fluctuations. In the current period the Company recorded a gain on purchase of related party loan recorded in the current period.

Loss after tax was \$202K in the current quarter and fluctuates quarter by quarter related to the swings in fair value of the Company’s investment portfolio. The loss was the result of \$48K unrealized loss on investments and \$186K in expenses.

Earnings per shares fluctuates based on the net income/(loss) and the number of common shares outstanding.

Change in total assets

As at August 31, 2024, the Company had \$5.3 million in total assets which is lower than all comparative quarters except Q4 2024. The lower total assets over the periods were the result of the decrease in investment portfolio fair value in the current period.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended August 31, 2024	Three months ended August 31, 2023
Cash inflow (outflow) from operating activities	\$ (152,684)	\$ 676,860
Cash inflow (outflow) from financing activities	148,291	(529,012)
Net cash flows	(4,393)	(147,848)
Effect of foreign exchange	(3,169)	36,723
Cash balance	\$ 13,883	\$ 251,616

As at August 31, 2024, the Company’s net working capital was \$0.8 million (May 31, 2024 - \$0.1 million). The increase was mainly driven by settling long-term related party loan for Fidelity shares which are classified as current assets.

The cash outflow from operating activities for the period ended August 31, 2024 was \$152,684, which was lower than the inflows in 2023 and due to less net sales in investments during the prior year netted by outflows from investment purchases and changes in working capital.

Cash inflow from financing activities of \$148K which was lower than the outflow in 2023 and due to net repayment in borrowings and related party advances in the current year.

The Company’s ability to continue as a going concern is dependent on the Company’s ability to raise funds and generate interest income.

SHAREHOLDERS’ EQUITY

As at August 31, 2024, and the date of this report, there are 142,105,852 common shares, nil warrants and nil options outstanding.

REGULATORY DISCLOSURES

Off-Balance Sheet Arrangements

As at the date of this report, the Company did not have any off-balance sheet arrangements.

Proposed Transactions

The Company does not have any proposed transactions as at August 31, 2024 and the date of the report, other than as disclosed elsewhere in this document.

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 period ended August 31, 2024, Twenty-Second Yeneb Pty Limited, a company controlled by John Byrne, provided President and CEO services to the Company. During the period ended August 31, 2024 total fee charged was \$60,000 (2024 - \$60,000). Total amount accrued for Twenty-Second Yeneb Pty Limited as at August 31, 2024, which included fees and business expenses was \$214,283 (May 31, 2024 - \$151,817).

During the period ended August 31, 2024, a company controlled by Anthony Balic charged fees for CFO services of \$26,250 (2024 - \$26,250). As at August 31, 2024, the amount owed was \$119,438 (May 31, 2023 - \$91,875).

During the period ended August 31, 2024, the Company was charged directors fees of \$6,000 (2024 - \$6,000) by Ross MacLachlan. As at August 31, 2024, the Company had \$92,178 (2024 - \$86,178) payable to Ross.

During the period ended August 31, 2024, the Company was charged by Kalina Power Ltd. \$3,503 (2024 - \$4,609) for management services and \$7,324 (2023 - \$10,451) for rent. As at August 31, 2024 the Company had accounts payable of \$68,163 (2024 - \$93,460) outstanding to Kalina Power Ltd. which is considered a related party by virtue of a common director.

During the period ended August 31, 2024, the Company was charged by Heavy Rare Earths Limited \$nil (2024 - \$4,950) for rent. As at August 31, 2024 the Company had accounts payable of \$4,489 (2024 - \$4,489) outstanding to Heavy Rare Earths Limited which is considered a related party by virtue of a common director.

During the period ended August 31, 2024, Twenty-Second Yeneb Pty Limited, a company controlled by John Byrne, advanced a loan of \$229,314 (AUD \$251,000) to the Company with interest payable at 10% compounded monthly. As at August 31, 2024, total loan and interest outstanding is \$510,589 (May 31, 2024 - \$270,933).

During the period ended August 31, 2024, the Company loaned Fidelity Minerals Corp. ("FMN") \$85,644 (2024 - \$329,654), net of repayments, settled \$425,000 of the loan receivable for 8,500,000 FMN common shares (note 6) and purchased \$67,200 of Fidelity payables for \$20,000 recognizing a gain on purchase of AP \$47,200. As at August 31, 2024 had a balance receivable of \$303,216 (2024 - \$622,327). The loan receivable is un-secured and non-interest bearing. FMN is considered a related party by virtue of a common executive and director. As the loan has no formal repayment terms the amount is classified as a long-term asset.

Financial Instruments

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

As at August 31, 2024	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Investments (note 6)	2,517,933	71,939	-	2,589,872
Derivative financial instrument (note 5)	-	-	589	589
Debt investment (note 7)	-	1,790,524	-	1,790,524
Liabilities				
Option on Fidelity shares (note 9)	-	-	(45,728)	(45,728)
	2,517,933	1,862,463	(45,139)	4,335,257

As at May 31, 2024	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Investments	2,137,722	72,571	-	2,210,293
Derivative financial instrument	-	-	3,778	3,778
Debt investment	-	1,816,117	-	1,816,117
Liabilities				
Option on Fidelity shares	-	-	(78,841)	(78,841)
	2,137,722	1,888,688	(75,063)	3,951,347

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. No transfers took place during the period ended August 31, 2024.

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 August 31, 2024, if interest rates were higher by 1% per annum, the potential effect to the Company would change in net income (loss) of approximately \$5,106 (May 31, 2024: \$2,886).

Currency risk

Changes in currency rates will impact the carrying value of instruments denominated in currencies other than the Canadian dollar. As at August 31, 2024, the Company is primarily exposed to foreign exchange risk through Australian dollar denominated investments of \$788,212 (May 31, 2024: \$489,680), which represent approximately 30.4% (May 31, 2024: 22.2%) 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 \$39,411 respectively (May 31, 2024: \$24,484).

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 \$221,029 (May 31, 2024: \$221,029).

The fair value of the Company's investments and derivative financial instruments 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 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.

As at August 31, 2024, the Company has an investment in the un-listed securities of Bishop Resources.

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.

Management of Capital

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.

Significant Accounting Policies

Please refer to the audited annual consolidated financial statements for the year ended May 31, 2024 which was filed on SEDAR.

Risk and uncertainties

Overview

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 ranked securities in the capital structure, so as to rank ahead of the common shares of the issuer. The Company seeks to mitigate credit risk by investing, where possible, in senior debt 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 further 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.

The Company does not intend to pay dividends for the foreseeable future.

The Company has never declared or paid any cash dividends on the Company's common shares and does not intend to pay any cash dividends in the foreseeable future. The Company anticipates that it will retain all of its future earnings for use in the development of its business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of the Company's board of directors. In addition, from time to time the Company may enter into agreements that restrict its ability to pay dividends.

The price of the Company's common shares may be volatile.

The trading price of the Company's common shares has been and may continue to be subject to material fluctuations and may increase or decrease in response to a number of events and factors, including: changes in the market price of hospitality management systems and number of market competitors offering same or similar products; current events affecting the economic situation and exchange rates in Canada, the United States, and internationally; changes in financial estimates and recommendations by securities analysts; acquisitions and financings; quarterly variations in operating results; the operating and share price performance of other companies that investors may deem comparable; the issuance of additional equity securities by the Company or the perception that such issuance may occur; and purchases or sales of blocks of the Company's common shares. Part of this volatility may also be attributable to the current state of the stock market, in which wide price swings are common. This volatility may adversely affect the price of the Company's common shares regardless of the Company's operating performance and could cause the market price of the Company's common shares to decline.

The Company may issue additional equity securities which may reduce the Company's earnings per share.

The Company has in the past issued and may continue to issue equity securities to finance its activities, including in order to finance working capital requirements, capital expenditures and acquisitions. If the Company issues additional common shares, a shareholder's percentage ownership of the Company will decrease, and they may experience dilution in the Company's earnings per share. Moreover, as the Company's intention to issue any additional equity securities becomes publicly known, the common share price may be materially and adversely affected.

Holders of the Company's common shares may experience dilution when outstanding options and warrants are exercised, or as a result of additional securities offerings.

There are a number of outstanding options and warrants pursuant to which additional common shares of the Company may be issued in the future. Exercise of such options and warrants may result in dilution to the Company shareholders. In addition, if the Company raises additional funds through the sale of equity securities, shareholders may have their investment further diluted.

Internal Controls Over Financial Reporting

During the three months ended August 31, 2024, there has been no significant change in the Company's internal control over financial reporting since last year.

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. They are also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's annual financial statements for the year ended May 31, 2024 (together the "Annual Filings"). The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at <http://www.sedarplus.ca>.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis

DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

Cautionary note regarding forward-looking information

Certain statements and information contained in this MD&A and the documents incorporated by reference in this MD&A constitute “forward-looking information” within the meaning of applicable Canadian securities laws. Forward-looking information are statements and information regarding possible events, conditions or results of operations that are based upon assumptions about future economic conditions and courses of action. All statements and information other than statements of historical fact may be forward-looking information. In some cases, forward-looking information can be identified by the use of words such as “seek”, “expect”, “anticipate”, “budget”, “plan”, “estimate”, “continue”, “forecast”, “intend”, “believe”, “predict”, “potential”, “target”, “may”, “could”, “would”, “might”, “will” and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A and the documents incorporated herein by reference include, but are not limited to, statements and information regarding: a continuing or increased need for software solutions for the hospitality industry in difficult economic times, the attainment of certain subscription targets and company performance, the demand for its products continuing to increase, a sufficient stable and healthy global economic and business environment, and other factors contained in the section entitled “Risks and Uncertainties” in the MD&A for the year ended May 31, 2024. Although the Company has attempted to identify important factors that could cause actual results or events to differ materially from those described in the forward- looking statements, you are cautioned that this list is not exhaustive and there may be other factors that the Company has not identified. Furthermore, the Company undertakes no obligation to update or revise any forward-looking information included in, or incorporated by reference in, this MD&A if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.