

LIONS BAY CAPITAL INC.

**CONSOLIDATED
FINANCIAL STATEMENTS**

For the Years Ended May 31, 2025 and 2024

(In Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Lions Bay Capital Inc.

Opinion

We have audited the accompanying consolidated financial statements of Lions Bay Capital Inc. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2025 and 2024, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that 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. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.



Valuation of Debt Investments

As described in Note 7 to the consolidated financial statements, the carrying amount of the Company's debt investments was \$Nil as of May 31, 2025. As more fully described in Notes 3 and 15 to the consolidated financial statements, debt investments are measured at fair value at each reporting period. Management uses valuation techniques, including the income approach, the market approach, the cost approach or a combination thereof, to determine the fair value of debt investments. There are significant unobservable inputs used in estimating the value of debt investments and significant judgments are made related to uncertainty of operating in exploration and evaluation markets.

The principal considerations for our determination that the fair value of debt investments is a key audit matter are due to the estimation uncertainty underlying the valuations and the significant value of the debt investments at year-end. This determination required the use of appropriate valuation techniques which included significant unobservable inputs. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of the fair value of the debt investments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures include, among others:

- Evaluating the competency, capabilities and objectivity of the third-party valuator used by management.
- Reviewing the valuations reports and substantively testing a sample of the assumptions within to independent sources of information.
- Utilizing our internal valuations department to conclude on the appropriateness of the methodology used in the valuations reports.
- Utilizing our internal valuations department to test the accuracy of the calculations in applying the methodology used in the valuations reports.
- Assessing management estimates underlying the valuation for evidence of bias or error.
- Checking and evaluating the financial statement disclosures in relation to the fair value of debt investments.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year ended and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

September 29, 2025

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

	Notes	May 31, 2025	May 31, 2024
ASSETS			
Current			
Cash		\$ 5,393	\$ 21,445
Prepays and other receivables	4	48,284	83,239
Investments	6,16	1,902,714	2,210,293
Derivative financial instruments	5	-	3,778
Debt investment	7	-	80,029
		1,956,391	2,398,784
Exploration investments	8	-	314,265
Investment in Greensand	9	215,583	163,978
Related party loan	4,16	633,281	622,327
Debt investment	7	-	1,736,088
Co-generation power plant option	10	13,840	-
TOTAL ASSETS		\$ 2,819,095	\$ 5,235,442
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	16	\$ 1,152,543	\$ 774,902
Borrowings	11	845,301	288,588
Taxes payable	17	310,963	508,648
Option on Fidelity shares	11	-	78,841
TOTAL LIABILITIES		2,308,807	1,650,979
Shareholders' Equity			
Share capital	12	7,565,874	7,565,874
Share based payment reserves	13	569,704	569,704
Warrant reserves	13	913,374	913,374
Foreign currency translation reserves		9,279	(22,972)
Deficit		(8,428,775)	(5,442,382)
Total shareholders' equity attributable to owners of the Company		629,456	3,583,598
Non-controlling interest	8	(119,168)	865
Total shareholders' equity		510,288	3,584,463
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 2,819,095	\$ 5,235,442

Note 1 – Nature of operations and going concern

Note 19 – Subsequent events

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)

	Year ended	
	May 31, 2025	May 31, 2024
NET INVESTMENT GAIN/(LOSS)		
Net realized (loss) gain on disposal of marketable securities (note 6)	\$ (366,814)	\$ 227,218
Net change in unrealized loss on marketable securities (note 6)	(89,796)	(2,295,248)
Fair value loss on derivative financial instrument (note 5)	(3,778)	(209,516)
Interest and other income (note 7)	-	37,917
Revaluation of debt investment (note 7)	(1,842,078)	(65,478)
Gain on fair value change of Fidelity option (note 11)	78,841	110,792
Equity pick-up loss (note 9)	(30,752)	-
Impairment of exploration investment (note 8)	(433,075)	-
Gain on sale of exploration assets (note 8)	-	66,533
	(2,687,452)	(2,127,782)
OTHER INCOME (EXPENSE)		
Financing costs – interest (note 11)	(60,100)	(21,925)
Financing costs – transaction cost accretion (note 11)	-	(75,143)
Foreign exchange (loss) gain	(13,277)	18,167
Other income	24,098	3,548
Gain on purchase of related party receivable (note 4)	47,200	-
EXPENSES		
Professional fees (note 16)	(346,623)	(395,009)
Directors fees (note 16)	(272,101)	(266,209)
General and administration	(97,510)	(126,035)
LOSS BEFORE TAX	(3,405,765)	(2,990,388)
INCOME TAX RECOVERY (EXPENSE) (note 17)	191,781	(126,336)
NET LOSS AFTER TAX	(3,213,984)	(3,116,724)
OTHER COMPREHENSIVE INCOME (LOSS)	32,251	(12,266)
COMPREHENSIVE LOSS FOR THE YEAR	\$ (3,181,733)	\$ (3,128,990)
NET LOSS ATTRIBUTABLE TO:		
Owners of the Company	(2,986,393)	(3,120,650)
Non-controlling interest	(227,591)	3,926
	(3,213,984)	(3,116,724)
OTHER COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Owners of the Company	32,251	(12,266)
Non-controlling interest	-	-
	32,251	(12,266)
Loss per share - basic and diluted	\$ (0.11)	\$ (0.11)
Weighted average number of shares outstanding – basic and diluted	28,421,171	28,421,171

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	Deficit	Attributable to owners of the Company	Non- controlling interest	Total Equity
	Number	Share capital							
		\$	\$	\$	\$	\$	\$	\$	\$
BALANCE, MAY 31, 2024	28,421,171	7,565,874	(22,972)	569,704	913,374	(5,442,382)	3,583,598	865	3,584,463
Cumulative translation adjustment	-	-	32,251	-	-	-	32,251	-	32,251
Net loss for the year	-	-	-	-	-	(2,986,393)	(2,986,393)	(227,591)	(3,213,984)
NCI – Dilution adjustment	-	-	-	-	-	-	-	107,558	107,558
BALANCE, MAY 31, 2025	28,421,171	7,565,874	9,279	569,704	913,374	(8,428,775)	629,456	(119,168)	510,288

	Issued Common Shares		Foreign currency translation reserves	Share based payment reserves	Warrant reserves	Deficit	Attributable to owners of the Company	Non- controlling interest	Total Equity
	Number	Share capital							
		\$	\$	\$	\$	\$	\$	\$	\$
BALANCE, MAY 31, 2023	28,421,171	7,565,874	(10,706)	569,704	913,374	(2,321,732)	6,716,514	(3,061)	6,713,453
Cumulative translation adjustment	-	-	(12,266)	-	-	-	(12,266)	-	(12,266)
Net loss for the year	-	-	-	-	-	(3,120,650)	(3,120,650)	3,926	(3,116,724)
BALANCE, MAY 31, 2024	28,421,171	7,565,874	(22,972)	569,704	913,374	(5,442,382)	3,583,598	865	3,584,463

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

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

	Year Ended	
	May 31, 2025	May 31, 2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (3,213,984)	\$ (3,116,724)
Items not affecting cash:		
Net realized gain on disposal of marketable securities	366,814	(227,218)
Net change in unrealized loss on investment	89,796	2,295,248
Fair value loss on derivative financial instrument	3,778	209,516
Financing cost	60,100	22,149
Foreign exchange	6,346	(11,497)
Accretion	-	75,143
Income tax (recovery) expense	(191,781)	126,336
Gain on sale of exploration assets	-	(66,533)
Impairment of exploration investment	433,075	-
Revaluation of debt investment	1,842,078	65,478
Equity pick-up	30,752	-
Gain on purchase of related party receivable	(47,200)	-
Gain on fair value of Fidelity option	(78,841)	(110,792)
Interest income	-	(37,917)
	(699,067)	(776,811)
Changes in Non-Cash Working Capital Items:		
Receivables	(35,046)	(70,522)
Trade and other payables	476,411	365,792
Proceeds from disposal of investment	333,285	1,336,665
Purchase of investments	(63,290)	(267,109)
Debt investments	(23,518)	(255,670)
Exploration investments	(129,121)	(60,051)
Investment in associate	(82,357)	-
Roaster investment	(13,840)	-
Proceeds on sale of exploration investment	-	158,312
Debt Investment Recovery	-	164,011
Net Cash (Used in) Provided by Operating Activities	(236,543)	594,617
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	531,994	246,650
Repayment of borrowings	(32,979)	(520,729)
Advances to related parties, net of repayments	(318,754)	(329,654)
Net Cash Provided by (Used in) Financing Activities	180,261	(603,733)
Effect of foreign exchange on cash	40,230	(36,484)
Change in Cash, During the Year	(16,052)	(45,600)
Cash, Beginning of Year	21,445	67,045
Cash, End of Year	\$ 5,393	\$ 21,445

Supplemental cash flow information (note 18)

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

LIONS BAY CAPITAL INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MAY 31, 2025 and 2024 *(in Canadian dollars)*

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 May 31, 2025, the Company had working capital deficit of \$352,416 which includes investments with a fair market value of \$1,902,714 and cash of \$5,393.

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.

On August 27, 2025, the Company completed a share consolidation on the basis of one (1) new share for every five (5) previously outstanding shares. All share, per share, stock option, and warrant information has been retrospectively restated in these consolidated financial statements to reflect this share consolidation.

LIONS BAY CAPITAL INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MAY 31, 2025 and 2024 (in Canadian dollars)

2. Basis of Presentation

Reporting and basis of measurement

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized for issuance by the Board of Directors of Lions Bay Capital Inc. on September 29, 2025. The following is the material accounting policy information used in the preparation of these consolidated financial statements.

Certain comparative figures have been updated to agree with current year presentation.

Foreign currency translation

(i) Functional currency

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements of Lions Bay Capital Inc. are measured in Canadian Dollars (CAD) which is that entity’s functional currency. The functional currency of Pan Andean, the Company’s wholly owned subsidiary, and Epic Minerals Pty Ltd. (“Epic Minerals”), the Company’s 50% (80% - 2024) owned subsidiary which was incorporated on November 18, 2021, and Epic’s 50% owned subsidiary CGJB Pty Ltd (“CGJB”) (nil – 2024) which was incorporated May 19, 2025, is the Australian dollar (AUD).

(ii) Presentation currency

The consolidated financial statements are presented in Canadian Dollars (CAD), which is the Company’s presentation currency.

(iii) Translation and balances

Transactions in foreign currencies are converted to the functional currency at the exchange rate at the date of the transaction. Outstanding amounts payable to and by the parent and subsidiaries at year end and denominated in foreign currencies have been converted to local currency using exchange rates prevailing at the end of the financial year. All exchange differences are taken to profit or loss.

(iv) Group companies

The results of foreign subsidiaries and the parent entity are translated to CAD at the exchange rate at the date of the transaction. Assets and liabilities of foreign subsidiaries are translated to CAD at exchange rates prevailing at year end. All resulting exchange differences are recognised in other comprehensive income and in the foreign currency translation reserve in equity.

(v) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences on translation of foreign controlled subsidiaries. Amounts are reclassified to profit or loss when the investment is disposed of.

LIONS BAY CAPITAL INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED
MAY 31, 2025 and 2024 *(in Canadian dollars)*

Principals of consolidation

These consolidated financial statements incorporate all of the assets, liabilities and results of the parent company, Lions Bay Capital Inc., and its subsidiaries Pan Andean and Epic Minerals. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Company when control is obtained. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealized gains or losses on transactions between group entities are fully eliminated on consolidation.

Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Company. Equity interests in a subsidiary not attributable, directly or indirectly, to the Company are presented as “non-controlling interests”.

The Company initially recognise non-controlling interests (“NCI”) that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss each component of other comprehensive income.

Non-controlling interests are shown separately within the equity section of the Statement of Financial Position and Statement of Operations and Comprehensive Loss.

As an investment entity, the Company applies an exception to consolidation to account for its investments in subsidiaries in which the Company holds a controlling interest, after factoring in qualitative factors such as common management and directors. As at May 31, 2025, the Company has a 45.22% (2024 – 48.30%) interest in Fidelity Minerals Corp. (“FMN”), an entity incorporated and doing business in British Columbia, Canada (note 6).

LIONS BAY CAPITAL INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MAY 31, 2025 and 2024 (in Canadian dollars)

3. Summary of Material Accounting Policy Information

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 consolidated 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 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 then 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 profit or loss (note 15).

LIONS BAY CAPITAL INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MAY 31, 2025 and 2024 (in Canadian dollars)

(iii) Income tax

The Company 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.

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.

(v) Economic recoverability and probability of future economic benefits of exploration investments

Management has determined that exploratory drilling and evaluation costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

(vi) Control and/or Significant Influence over Investees

The Company assessed the level of influence that the Company has on its investment in Greensand, for which the Company owns 25%, and concluded that the Company has significant influence over Greensand since the Company has the power to participate in financial and operating policy decisions. The Company also has to exercise judgment on determining if they have control over their subsidiaries.

The Company assessed the level of influence that the Company has on its investment in Epic, for which the Company owns 50%, and concluded that the Company has control over the entity based on being the only funding source for Epic and the Company's management having final say in decision making.

LIONS BAY CAPITAL INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MAY 31, 2025 and 2024 (in Canadian dollars)

Financial instruments

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortized cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets at fair value through profit or loss

Financial assets not measured at amortized cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Non-derivative financial liabilities

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables and borrowings are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The classification determines the method by which the financial instruments are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash, other receivables, related party loan, trade and other payables, taxes payable and borrowings are measured at amortized cost with subsequent impairments recognized in profit or loss.

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Investments, debt investments, derivative financial instruments, and the option on FMN shares are classified as FVTPL.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortized cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other gain/(losses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income (FVOCI) are not reported separately from other changes in fair value.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition receivables.

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Fair value measurement

The fair value measurements underlying the carrying value of the investments are classified within a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy has the following levels:

- (i) Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. The type of investment and marketable securities include in this category are publicly traded equities, debts and securities sold short;
- (ii) Level 2 Inputs other than quoted prices included within Level 1 that are observable for the assets, either directly or indirectly. The type of investments included in this category include less liquid and restricted equity securities and certain over-the-counter derivatives; and
- (iii) Level 3 Inputs for the assets or liability that are not based on observable market data. Investments classified within this category consist of private equity and debts securities.

See Note 15, Fair value measurement, for additional disclosure of the Company's investments by the level in the fair value hierarchy into which the fair value measurement is categorized and the Company's valuation techniques that involve unobservable inputs.

Impairment of non-financial assets

The carrying values of non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

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Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortized cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Realized gain or loss on disposal of investments is determined based on the difference between the cost base of the investment and proceeds received on sale and unrealized gain or loss on investments are determined based on the difference between the cost base of the investment and year end value. Interest income is recorded on an accrual basis. Divided income is recognized on the ex-dividend date.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated using the weighted average number of shares that would have been outstanding during the period had all potential common shares been issued at the beginning of the period, or when other potential dilutive instruments were granted or issued, if later.

Income tax

Income tax expense is composed of current and deferred tax. Income tax expense is recognized in the Statements of Operations and Comprehensive Loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, and the carry forward of non-capital losses, can be utilized.

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Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered and/or the carrying value of temporary differences exceed their tax basis. Refer to Note 17 for specific disclosure on income taxes.

Exploration investments

(i) Pre-license costs:

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred.

(ii) Exploration and evaluation costs:

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized on a property by property basis until such time as the lease expires, the mineral properties abandoned, sold or considered impaired in value or is transferred to mines under construction as development cost. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not amortized during the exploration and evaluation stage. These investments are not considered core investments and are actively managed by the Company.

(iii) Mines under construction and development costs:

When technical feasibility and economic viability of projects have been determined and the decision to proceed with development has been approved the asset is first tested for impairment and thereafter, the expenditures related to construction are capitalized as mines under construction and classified as a component of mine properties, plant and equipment. Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Commercial production is deemed to have occurred when management determines certain production parameters are met.

In order for production to occur, the Company must first obtain exploitation and other permits on such properties. Such permits are subject to the approval of the local government and government controlled entities. Unless and until such permits are obtained there can be no assurance that such permits will be obtained. As such, permits need to be obtained before costs are reclassified from exploration and evaluation properties to mines under construction.

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(iv) Mine properties:

Once a mineral property has been brought into commercial production as intended by management, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depleted over the remaining useful life of the related assets. Mine properties include deferred stripping costs and decommissioning and restoration costs related to the reclamation of mine properties. Mine properties are derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds received and the carrying amount of the asset is recognized in profit or loss.

Costs of producing mine properties are depreciated and depleted on the unit of production (“UOP”) basis using estimated resources. Depreciation or depletion is recorded against the mine property only upon the commencement of commercial production.

Mine properties are recorded at cost, net of accumulated depreciation and depletion and accumulated impairment losses and are not intended to represent future values.

Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the UOP or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company estimates that the present value of the required restoration, rehabilitation and environmental costs resulting from disturbance to date to be immaterial.

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Investment in associate

The Company accounts for its investment in associate using the equity method. Under the equity method, the Company's investment in associate was initially recognized at fair value and subsequently increased or decreased to recognize the Company's share of net earnings and losses of the investment in associate, after any adjustments necessary to give effect to uniform accounting policies, and for impairment losses after the initial recognition date. The total carrying amount of the Company's investment in associate also includes any long-term debt interests which in substance form part of the Company's net investment. The Company's share of the losses that are in excess of its investment in associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the investment in associate. The Company's share of earnings and losses of the investment in associate are recognized in profit or loss during the period. Dividends and repayment of capital received from a joint venture are accounted for as a reduction in the carrying amount of the Company's investment in associate.

New accounting standards issued but not yet effective

IFRS 18 - Presentation and Disclosure in Financial Statements

IFRS 18 is effective for reporting periods beginning on or after January 1, 2027. It introduces several new requirements that are expected to impact the presentation and disclosure of most, if not all, entities. The Company is in the process of assessing the impact on the consolidated financial statements of the new standard.

4. Prepaids and Other Receivables

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

	May 31 2025	May 31 2024
	\$	\$
Prepaid expenses	7,244	-
GST Receivable	22,836	11,426
Other receivables	18,204	71,813
	<u>48,284</u>	<u>83,239</u>

During the year ended May 31, 2025, the Company loaned FMN \$298,754 (2024 - \$329,654), settled \$425,000 of the loan receivable for 8,500,000 FMN common shares (note 6), purchased \$67,200 of FMN receivables for \$20,000, recognizing a gain on purchase of related party loan of \$47,200 and reallocated \$70,000 from current other receivables to long-term related party loan. As at May 31, 2025, the total balance receivable from FMN was \$633,281 (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.

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5. Derivative Financial Instruments

The table below provides a summary of the Company's derivatives, consisting of warrants of Heavy Rare Earths Limited.

Arctic Star Exploration Corp.

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

These warrants expired unexercised during the year ended May 31, 2024.

Parkway Corporate Warrants

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

During the year end May 31, 2025, these warrants expired unexercised.

	May 31, 2025	May 31, 2024
Expected warrant life	-	0.17 years
Expected stock price volatility	-	104%
Dividend payment during life of warrant	-	Nil
Risk free interest rate	-	3.28%
Weighted average strike price	\$ -	\$ 0.019
Weighted average fair value per warrant	\$ -	\$ 0.000
Weighted average share price	\$ -	\$ 0.008

Heavy Rare Earths Limited

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

During the year ended May 31, 2023, the Company received the Heavy Rare Earth Limited ("HRE") warrants pursuant to HRE's initial public offering. HRE is a related party by virtue of a common director. Subsequent to year end May 31, 2025, these warrants expired unexercised.

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	May 31, 2025	May 31, 2024
Expected warrant life	0.25 years	1.25 years
Expected stock price volatility	109%	99%
Dividend payment during life of warrant	Nil	Nil
Risk free interest rate	3.67%	3.97%
Weighted average strike price	\$ 0.30	\$ 0.30
Weighted average fair value per warrant	\$ 0.00	\$ 0.00
Weighted average share price	\$ 0.021	\$ 0.037

	Number of warrants	Weighted average exercise price \$	Derivative \$
Balance, May 31, 2023	56,634,252	0.03	213,294
Arctic Star Warrants expired	(100,000)	0.15	-
Change in fair value	-	-	(209,516)
Balance, May 31, 2024	56,534,252	0.03	3,778
Parkway Corporate Warrants expired	(54,534,252)	0.019	-
Change in fair value	-	-	(3,778)
Balance, May 31, 2025	2,000,000	0.30	-

During the year ended May 31, 2024, the Company had a total loss on derivatives of \$3,778 (2024 – \$209,516).

6. Investments

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

	May 31, 2024 Fair value	Acquired	Disposed	Gain/(Loss)	CTA	May 31, 2025 Fair Value
Kalina Power Ltd (i)	\$ 395,385	\$ -	\$ (157,016)	\$ 86,499	\$ (5,187)	\$ 319,681
Fidelity Minerals Corp (ii)	1,715,622	479,465	(176,269)	(544,959)	-	1,473,859
Heavy Rare Earths Limited (vi)	21,715	8,825	-	5,540	(787)	35,293
Arctic Star	5,000	-	-	(2,000)	-	3,000
Bishop Resources	72,571	-	-	(1,690)	-	70,881
Total	\$ 2,210,293	\$ 488,290	\$ (333,285)	\$ (456,610)	\$ (5,974)	\$ 1,902,714

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During the year ended May 31, 2025, the Company recorded an unrealized loss of \$89,796 on investments and recognized a realized loss of \$366,814 upon the disposal shares for proceeds of \$333,285.

	May 31, 2023 Fair value	Acquired	Disposed	Gain/(Loss)	CTA	May 31, 2024 Fair Value
Kalina Power Ltd (i)	\$ 542,472	\$ 209,022	\$ -	\$ (373,920)	\$ 17,811	\$ 395,385
Fidelity Minerals Corp (ii)	3,434,595	58,087	(70,000)	(1,707,060)	-	1,715,622
Elementos Ltd (iii)	368,357	-	(349,656)	(13,165)	(5,536)	-
Parkway Corporate Limited (iv)	886,196	-	(962,561)	67,996	8,369	-
Meryllion Resources Corp. (v)	9,105	-	(24,448)	15,343	-	-
First AU Ltd - listed options	20,640	-	-	(20,640)	-	-
Heavy Rare Earths Limited (vi)	59,123	-	-	(39,201)	1,793	21,715
Arctic Star	4,000	-	-	1,000	-	5,000
Bishop Resources	70,954	-	-	1,617	-	72,571
Total	\$ 5,395,442	\$267,109	\$ (1,406,665)	\$(2,068,030)	\$ 22,437	\$ 2,210,293

During the year ended May 31, 2024, the Company recorded an unrealized loss of \$2,295,248 on investments and recognized a realized gain of \$227,218 upon the disposal shares for proceeds of \$1,336,665.

	Cost May 31 2025 \$	Fair Value May 31 2025 \$	Cost May 31 2024 \$	Fair Value May 31 2024 \$
Kalina Power Ltd (i)	1,600,382	319,681	1,936,026	395,385
Fidelity Minerals Corp (ii)	4,583,670	1,473,859	4,481,625	1,715,622
Heavy Rare Earth Limited (vi)	110,783	35,293	101,958	21,715
Arctic Star	16,000	3,000	16,000	5,000
Bishop Resources	75,073	70,881	75,073	72,571
Total	6,385,908	1,902,714	6,610,682	2,210,293

(i) During the year ended May 31, 2025, the Company sold 18,891,372 shares for proceeds of \$157,016.

During the year ended May 31, 2024, the Company purchased from the public markets 56,849,220 shares at a cost of \$209,022.

(ii) During the year ended May 31, 2025, the Company settled \$425,000 of the outstanding FMN loan receivable for 8,500,000 FMN common shares (note 4). The Company also

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purchased 1,350,000 shares at a cost of \$54,465 and sold 3,612,000 shares for gross proceeds of \$176,269 from public markets.

During the year ended May 31, 2024, the Company purchased from the public markets 958,000 shares at a cost of \$58,087. The Company also transferred 1,000,000 shares as part of the Greensands acquisition for \$70,000 (note 9).

- (iii) During the year ended March 31, 2024, the Company also sold 2,566,290 shares for proceeds of \$349,656.
- (iv) During the year ended May 31, 2024, the Company sold 104,000,000 common shares for proceeds of \$962,561.
- (v) During the year ended May 31, 2024, the Company sold 607,000 common shares for proceeds of \$24,448.
- (vi) During the year ended May 31, 2025, the Company acquired 325,000 common shares for proceeds of \$8,825.

As at May 31, 2025, the Company's investments consisted of the following:

- 1) Kalina Power Ltd - listed on the ASX (KPO). The Company owns 90,075,963 (2024 – 108,967,335) which represents 3.07% (2024 – 4.38%) of the outstanding common shares of Kalina Power Ltd. valued at \$319,681 (May 31, 2024 - \$395,385). Kalina is considered a related party by virtue of a common director.
- 2) Fidelity Minerals Corp - listed on the TSX-V (FMN). The Company owns 49,128,312 (2024 – 42,890,312) which represents 45.22% (2024 – 48.30%) of the outstanding common shares of FMN valued at \$1,473,859 (2024 - \$1,715,622). FMN is considered a related party by virtue of a common officers and directors.
- 3) Arctic Star Exploration Corp. - listed on the TSX-V (ADD). The Company owns 200,000 (2024 – 200,000) which represents 0.08% (2024 – 0.09%) of the outstanding common shares of Arctic Star valued at \$3,000 (2024 - \$5,000).
- 4) Heavy Rare Earth Limited – listed on the ASX (HRE). The Company owns 975,000 (2024 – 650,000) which represents 0.47% (2024 – 0.95%) of the outstanding common shares of HRE valued at \$35,393 (2024 - \$21,715). HRE is considered a related party by virtue of a common director.
- 5) Bishop Resources – private company. The Company owns 500,000 (2024 – 500,000) of the outstanding common shares of Bishop Resources valued at \$70,881 (2024 - \$72,571).

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7. Debt Investment

Salamander Mining International Ltd.

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;

	May 31, 2025	May 31, 2024
Opening balance	\$ 1,736,088	\$ 1,464,322
Advances	23,518	255,670
Unrealized foreign exchange	10,482	16,096
Revaluation	(1,770,088)	-
Ending balance	-	1,736,088
Less: current portion	-	-
Long-term portion	\$ -	\$ 1,736,088

On June 16, 2023, the Company entered into an agreement to purchase a USD \$2.1 million loan note (“Loan Note”) from Salamander. The Loan Note is owed by GnT Mining Proprietary Limited (“GnT”) and its subsidiary Bosveld Mines Proprietary Limited (“Bosveld”). The Loan Note has priority ranking over shareholder and other debt and is secured by the Bosveld tailings project. The loan will be repaid by the greater of 20% of the Free Cash Flow received or 45% of the operating profit from the tailings project. GnT is a private company and owns 70% of Bosveld which in turn owns the Klipwal gold mine in KwaZulu -Natal, South Africa. The mine is currently on care and maintenance and will restart upon completion of financing and refurbishment. The Loan Note is interest free until May 2025 at which point interest is charged at LIBOR plus 4%.

The purchase of the Loan Note with a face value of USD \$2.1 million was satisfied by the forgiveness of USD \$1,077,928 debt that the Company had owing from Salamander and the payment of USD \$200,000 which has been paid. As at May 31, 2024, the Company used a market calibration approach, wherein certain external factors (gold price) and internal factors (project status and development) were considered in combination with the recovery of the above transaction with market participants. Based on this approach, management has concluded that the fair value as at May 31, 2024 is equal to the carrying amount of \$1,736,088. As at May 31, 2025, the Company

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used a market calibration approach, wherein certain external factors (gold price) and internal factors (project status and development) were considered in combination with the recovery of the above transaction with market participants. Based on this approach, management has concluded that the fair value as at May 31, 2025 is \$nil and recorded a revaluation adjustment of \$1,770,088 based on the fact that the project has not yet started production and is yet to be funded and the Company commencing legal action against GnT.

GnT Mining Proprietary Limited

During the year ended May 31, 2023, the Company loaned GnT USD \$200,000. The loan receivable bears interest at 15% per annum, is secured, and was due on April 14, 2024. As the loan has been past due for over a year and the Company has commenced legal action against GnT, the Company revalued the investment to \$nil resulting in a decrease of \$71,990 (2023 - \$65,478) based on a recovery analysis compared to similar distressed debt instruments trading in the market. During the year ended May 31, 2025, \$nil (2024 - \$37,917) was accrued as interest receivable.

As part of the loan agreement, the Company was granted a 90-day option to purchase GnT's shares in a subsidiary for USD \$1,500,000. This option has since expired, and the Company assigned a fair value of \$nil at the inception of the loan based on the unlikelihood of the option being exercised.

	May 31, 2025	May 31, 2024
Opening balance	\$ 80,029	\$ 276,198
Repayments	-	(164,011)
Interest accrued	-	37,917
Revaluation	(71,990)	(65,478)
Unrealized foreign exchange	(8,039)	(4,597)
Ending balance – current portion	\$ -	\$ 80,029

The Company has filed a claim against GnT regarding obtaining information on the status of the underlying Klipwal gold mine with respect to the Salamander debt investment, as well as seeking collection on the GnT debt investment. The status of the filings is in process and is subject to court review.

8. Exploration Investments

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 YEARS ENDED
MAY 31, 2025 and 2024 (in Canadian dollars)****Epic Minerals Exploration Investment**

Epic Minerals is engaged in the business of exploring for tin, gold, copper and other minerals in Queensland, Australia. During the year ended May 31, 2022, the Company entered into an option agreement to earn into a portfolio of claims in Queensland, Australia under the following terms:

- Pay AUD \$10,000 to optionor 14 days after signing the agreement (paid),
- Spend AUD \$50,000 to earn a 10% interest in the project (incurred),
- Spend a further AUD \$250,000 to earn a 51% interest in the project (incurred),
- Spend a further AUD \$300,000 to earn a 90% interest in the project (amended from AUD \$500,00 on September 14, 2024), and
- Upon earning a 90% interest, the optionor will retain a 10% free carried interest.

During the year ended May 31, 2025, the Company amended the terms of the option agreement to include additional mining claims.

During the year ended May 31, 2024, Epic Minerals entered into a transaction to sell a number of mining claims for cash proceeds of \$158,312 and as a result of the sale the Company recorded a gain on sale of \$66,533.

	May 31, 2024
Proceeds	\$ 158,312
Carrying value of claims sold	(91,779)
Gain on sale	\$ 66,533

The Company will also receive an additional AUD \$25,500 once the application for the first mining license is made in addition to a 2% Net Smelter Royalty (“NSR”). The NSR can be purchased by the seller for AUD \$ 5 million.

Exploration investment	Epic Minerals
Balance at May 31, 2023	\$ 327,738
Additions	70,072
Sale	(91,779)
Effects of foreign exchange	8,234
Balance at May 31, 2024	\$ 314,265
Additions	129,121
Impairment	(433,075)
Effects of foreign exchange	(10,311)
Balance at May 31, 2025	\$ -

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During the year ended May 31, 2025, Epic entered into a shares for debt agreement to settle AUD \$117,800 of accounts payable in exchange for equity. As a result of the transaction the Company's ownership of Epic was reduced from 80% to 50% and a dilution adjustment of \$107,558 was recorded within non-controlling interest.

Subsequent to May 31, 2025, the Company terminated the Epic option agreement and entered into a new agreement where CGJB would purchase two tenements for the issuance of 10% equity in CGJB and payment of AUD \$10,000. As Epic terminated the option agreement and abandoned the tenements management concluded the value of the investment is \$nil as at May 31, 2025 and recorded an impairment of \$433,075.

9. Investment in Greensand

During the year ended May 31, 2023, the Company entered into an option agreement to purchase 25% of Greensand Australia Pty Ltd. ("Greensand") which is a private corporation with an exploration licence covering the Florina Greensand Project in the Northern Territory, Australia. The other 75% is being purchased by FMN, a company related by virtue of common directors and management.

Under the terms of the agreement the Company will:

- 1) Issue 1 million FMN shares from its portfolio holdings, which will be restricted from trading for one year (transferred);
- 2) Agree to fund its 25% share of Stage 1 costs estimated to be AUD \$250,000 (the Company's share AUD \$62,500) (completed);
- 3) Agree to fund its share of Stage 2 costs estimated to be AUD \$1,000,000 including a scoping study (the Company's share estimated to be AUD \$250,000);
- 4) Upon completion of the scoping study, issue an additional 1 million FMN shares from its portfolio holding;
- 5) Should the scoping study show a pre-tax IRR of over 19% then the vendors will be entitled to a bonus payment of AUD \$1,000,000 to be satisfied by cash and shares (with a minimum 50% cash) (the Company's share estimated to be AUD \$250,000).
- 6) Greensand must pay a royalty of the lesser of AUD \$4 per tonne or 5% of the net sale price of products sold on the first 250,000 tonnes of production from the project (the "Royalty"). The Royalty will be reduced to AUD \$2 per tonne after the initial 250,000 tonnes. The Royalty cannot exceed 5% of the sales price of the product. Otherwise, the Royalty shall be paid on industry standard terms and conditions, to be documented within a formal Royalty Agreement.

During the year ended May 31, 2024, the Company issued 1,000,000 common shares of FMN out of the Company's investment portfolio (note 6) in order to acquire a 25% interest in Greensand. The Company accounts for this acquisition as an investment in associate, pursuant to IAS 28.

Under the terms of the agreement, any amounts funded by the Company for costs will be considered a loan to Greensand which will be repayable from the profits of Greensand or from the proceeds of

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the financing within Greensand once certain criteria are met. Until that time, the Company considers these payments to be deferral acquisition costs to maintain its 25% interest. As such, the Company has recorded a loan receivable from Greensand of \$176,335 (2024 - \$93,978) as at May 31, 2025.

Investment in Greensand	
Balance at May 31, 2023	\$ -
Additions (note 6)	70,000
Greensands funding recorded as a loan	93,978
Balance at May 31, 2024	\$ 163,978
Greensands funding recorded as a loan	82,357
Equity pick-up	(30,752)
Balance at May 31, 2025	\$ 215,583

The assets and liabilities of Greensand as at May 31, 2025 is summarized below:

Assets and Liabilities of Greensand	May 31, 2025
Exploration asset	155,767
Loan payable to the Company	198,777
Accounts payable	80,000
Shareholders equity	(123,010)

Statement of Loss	May 31, 2025	May 31, 2024
General and admin	2,204	-
Consulting fees	120,806	-
Loss for the period	123,010	-

Greensand had no operations for the period from acquisition to May 31, 2024 and no significant assets or liabilities other than holding title to an exploration license in Australia as at May 31, 2024. Accordingly, there was no equity pickup for the year ended May 31, 2024.

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10. Co-generation Power Plant Option

During the year end May 31, 2025, the Company entered into an arm's length transaction and acquired an option to purchase a co-generation power plant in Kwazulu Natal, South Africa. The total purchase price of the plant is USD \$1,390,000 and the Company has already paid a deposit of USD \$65,000 (\$13,840 (USD \$10,000) paid in fiscal 2025 and \$74,873 (USD \$55,000) paid subsequent to May 31, 2025), which gives the Company a 6-month option to close the purchase by paying the remaining USD \$1,325,000. The option expires on November 22, 2025.

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11. Borrowings

	May 31, 2024	Draw	Interest	Repayment	Transaction Costs	Accretion	Foreign Exchange	May 31, 2025
Riverfort 4 – new loan (i)	\$ 17,655	\$ -	\$ -	\$ (22,334)	\$ -	\$ -	\$ 4,679	\$ -
Borrowings – related party (ii)	270,933	531,994	60,100	(10,645)	-	-	(7,081)	845,301
Total	\$ 288,588	\$ 531,994	\$ 60,100	\$ (32,979)	\$ -	\$ -	\$ (2,402)	\$ 845,301
Classified as current								\$ 845,301

	May 31, 2023	Draw	Interest	Repayment	Transaction Costs	Accretion	Foreign Exchange	May 31, 2024
Riverfort 4 – new loan (i)	\$ 458,720	\$ -	\$ 11,934	\$ (520,729)	\$ -	\$ 75,143	\$ (7,413)	\$17,655
Borrowings – related party (ii)	13,673	246,650	10,215	-	-	-	395	270,933
Total	\$ 472,393	\$ 246,650	\$ 22,149	\$ (520,729)	\$ -	\$ 75,143	\$(7,018)	\$ 288,588
Classified as current								\$ 288,588

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(i) **Riverfort Loan**

On June 30, 2021, the Company amended a 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. On December 22, 2022, the Company drew down an additional USD \$373,118 (\$507,840), inclusive of a deemed advance of USD \$191,000 (\$259,493) which was used to repay the previous two outstanding drawdowns, and a cash advance of USD \$150,000 (\$203,790).

The total advance had 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% (USD \$26,118). The facility also included a USD \$6,000 fee for legal costs. During the year ended May 31, 2024, the Company repaid USD \$387,875 (\$520,729) of the outstanding amount on the loan. During the year ended May 31, 2025, the full amount of the loan USD \$16,250 (\$22,334) was repaid.

As part of the advance, the Company has agreed to grant Riverfort an option to purchase 3,500,000 shares of FMN that the Company currently holds in its investment portfolio at a price of USD \$0.07 per share until December 22, 2024. The fair value of these warrants at the date of grant was estimated at \$134,446 using the Black-Scholes option pricing model with the following assumptions: a 2 year expected life; 133% volatility; risk-free interest rate of 3.72%; and a dividend yield of 0%.

As at May 31, 2025, the option over 3,500,000 FMN shares had a fair value of \$nil (2024 - \$78,841) as the option had expired. A gain of \$78,841 (2024 – gain of \$110,792) was recorded on the option liability.

- (ii) During the year ended May 31, 2025, Twenty-Second Yeneb Pty Limited, a company controlled by John Byrne, advanced a loan of \$531,994 (AUD \$599,700) (2024 - \$246,650 (AUD \$272,000)) to the Company with interest payable at 10% compounded monthly. As at May 31, 2025, total loan and interest outstanding is \$845,301 (May 31, 2024 - \$270,933).

LIONS BAY CAPITAL INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED
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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.

13. Stock Option and Warrant Reserves

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 30 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.

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:

	May 31, 2025		May 31, 2024	
	Number of options	Exercise price \$	Number of options	Exercise price \$
Options outstanding beginning of the year	-	-	280,000	0.50
Options expired	-	-	(280,000)	0.50
Options outstanding	-	-	-	-
	Number of warrants	Exercise price \$	Number of warrants	Exercise price \$
Warrants outstanding, beginning of the year	-	-	704,889	0.10
Warrants expired	-	-	(704,889)	0.10
Warrants outstanding	-	-	-	-

LIONS BAY CAPITAL INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED
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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. 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. There have been no changes to the Company's capital management approach during the year ended May 31, 2025.

The Company does not have any externally imposed capital requirements.

15. 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:

As at May 31, 2025	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Investments (note 6)	1,831,833	70,881	-	1,902,714
	1,831,833	70,881	-	1,902,714

As at May 31, 2024	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Investments (note 6)	2,137,722	72,571	-	2,210,293
Derivative financial instrument (note 5)	-	-	3,778	3,778
Debt investment (note 7)	-	1,816,117	-	1,816,117
Liabilities				
Option on Fidelity shares (note 11)	-	-	(78,841)	(78,841)
	2,137,722	1,888,688	(75,063)	3,951,347

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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 years ended May 31, 2025 and 2024.

Risk Associated with Financial Instruments

The Company's business activities expose it 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 May 31, 2025, if interest rates were higher by 1% per annum, the potential effect to the Company would change in net income (loss) of approximately \$8,453 (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 May 31, 2025, the Company is primarily exposed to foreign exchange risk through Australian dollar denominated investments of \$425,855 (May 31, 2024: \$489,680), which represent approximately 22.4% (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 \$21,293 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 \$190,271 (May 31, 2024: \$221,029).

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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.

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- 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 May 31, 2025, 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 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 unlisted 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.

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16. 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 year ended May 31, 2025, Twenty-Second Yeneb Pty Limited, a company controlled by John Byrne, provided President and CEO services to the Company. During the year ended May 31, 2025 total fee charged was \$240,000 (2024 - \$240,000). Total amount accrued for Twenty-Second Yeneb Pty Limited as at May 31, 2025, which included fees and business expenses was \$395,435 (May 31, 2024 - \$151,817).

During the year ended May 31, 2025, a company controlled by Anthony Balic charged fees for CFO services of \$105,000 (2024 - \$105,000). As at May 31, 2025, the amount owed was \$234,853 (May 31, 2024 - \$91,875).

During the year ended May 31, 2025, a company controlled by Ryan Batros, a director of the Company, charged consulting fees of \$40,043 (2024 - \$nil). As at May 31, 2025, the amount owed was \$nil (May 31, 2024 - \$nil).

During the year ended May 31, 2025, the Company was charged directors fees of \$24,000 (2024 - \$24,000) by Ross MacLachlan. As at May 31, 2025, the Company had \$111,282 (2024 - \$86,178) payable to Ross.

During the year ended May 31, 2025, the Company was charged directors fees of \$8,000 (2024 - \$nil) by Patrick Power. As at May 31, 2025, the Company had \$4,800 (2024 - \$nil) payable to Ross.

During the year ended May 31, 2025, the Company was charged by Kalina Power Ltd. \$18,262 (2024 - \$37,211) for management services and \$5,763 (2024 - \$17,210) for rent. As at May 31, 2025 the Company had accounts payable of \$18,672 (2024 - \$93,460) outstanding to Kalina Power Ltd. which is considered a related party by virtue of a common director.

During the year ended May 31, 2025, the Company was charged by Heavy Rare Earths Limited \$nil (2024 - \$16,097) for rent. As at May 31, 2025 the Company had accounts payable of \$6,440 (2024 - \$4,489) outstanding to Heavy Rare Earths Limited which is considered a related party by virtue of a common director.

During the year ended May 31, 2025, Twenty-Second Yeneb Pty Limited, a company controlled by John Byrne, advanced a loan of \$531,994 (AUD \$599,700) to the Company with interest payable at 10% compounded monthly. As at May 31, 2025, total loan and interest outstanding is \$845,301 (May 31, 2024 - \$270,933).

During the year ended May 31, 2025, the Company loaned FMN \$298,754 (2024 - \$329,654), settled \$425,000 of the loan receivable for 8,500,000 FMN common shares (note 6), purchased \$67,200 of FMN receivables for \$20,000, recognizing a gain on purchase of related party loan of \$47,200 and reallocated \$70,000 from current other receivables to long-term related party loan. As

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at May 31, 2024, the balance was \$71,813 included in current other receivables. As at May 31, 2025, the total balance receivable from FMN was \$633,281 (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.

17. Income Taxes

Taxation in the Company's operational jurisdiction is calculated at the rate prevailing in its respective jurisdiction.

	2025	2024
	\$	\$
Net income (loss) before tax	(3,405,765)	(2,990,386)
Income taxed at local statutory rates - 27% (2024: 27%)	(919,557)	(807,404)
Change in unrecognized deductible temporary differences	719,620	735,833
Permanent differences	249,178	2,357
Change in statutory, foreign tax, foreign exchange and other	(241,022)	195,550
Income tax expense/(recovery)	(191,781)	126,336
Current income tax expense	(191,781)	126,336
Deferred income tax expense (recovery)	-	-
Income tax expense/(recovery)	(191,781)	126,336

The Canadian Federal corporate tax rate remained at 15.00% and the British Columbia provincial tax rate remained at 12.00%. The tax rate of the subsidiaries operating in Australian remained at 30.00%.

Deferred Tax Assets and Liabilities

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at May 31, 2025 and May 31, 2024 are summarized as follows:

	2025	2024
	\$	\$
Deferred tax assets:		
Tax loss	-	83,000
Provisions	-	-
Deferred tax liabilities:		
Investments	-	-
Exploration investment	-	(83,000)
Derivative financial instruments	-	-
Foreign exchange variance	-	-
Deferred tax asset/(liability) at year end	-	-

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Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits are as follows:

	<u>2025</u>	<u>Expiry date</u>	<u>2024</u>
	\$		\$
Property and equipment	55,398	No expiry	58,314
Share issuance costs	9,044	2046	34,250
Investments	4,300,597	No expiry	3,828,574
Accruals and other	2,352,538	No expiry	357,647
Losses available for future periods	1,470,805	No expiry	464,222

18. Supplemental cash flow information

	<u>2025</u>	<u>2024</u>
	\$	\$
FMN shares transferred on Greensands acquisition	-	70,000
FMN shares received for reduction of related party receivable	425,000	-
Exploration costs recorded in AP	-	90,744
Shares for debt settlement with Epic	114,216	-
Other receivable reclassified to related party loan	70,000	-
Cash paid for interest	-	20,549
Cash paid for taxes	-	-

19. Subsequent events

- i) On August 27, 2025, the Company completed a share consolidation on the basis of one (1) new share for every five (5) previously outstanding shares.
- ii) On August 28, 2025, the Company completed a non-brokered private placement financing and issued a total of 6,875,000 units of the Company at a price of \$0.10 per unit for aggregate gross proceeds of \$687,500. Each unit consists of one common share and one-half common share purchase warrant, with each full warrant being exercisable to purchase one common share at a price of \$0.20 expiring August 28, 2027.
- iii) Subsequent to May 31, 2025, the Company closed a AUD \$285,000 convertible debenture (the “Debenture”) private placement financing (the “Offering”) with one arm’s length investor (the “Debenture Holder”).

The Debenture will bear interest at 18% per annum, calculated daily and paid at maturity which will be six (6) months from the date of issuance being December 10, 2025 (the “Maturity Date”). If the Debenture Holder elects to convert the loan per the terms below, the interest rate

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shall increase to 20% per annum, applied retrospectively. The Maturity Date may be extended by a further four (4) months by mutual agreement.

The Debenture Holder has the right, from time to time and at any time fourteen (14) days prior to the Maturity Date, to convert all or any portion of the outstanding principal amount of the Debenture ("Principal Amount") into:

- Common shares of Kalina Power Ltd. (held by Lions Bay) at AUD \$0.013 per share; or
- Common shares of FMN (held by Lions Bay) at \$0.15; or
- Common shares of the Company, at a price of \$0.095 per common share post consolidation.

A fixed foreign exchange rate of CAD to AUD of 0.89 will apply to the conversion prices.

The Debenture is secured by the Company's holdings in KPO and FMN.

As part of the Offering, the Company has granted the Debenture Holder the irrevocable right to acquire:

- 20,000,000 of the Kalina Power common shares held by the Company at AUD \$0.013 per share; and
- 10,000,000 of the FMN common shares held by the Company at \$0.15 per share.

These options vest immediately and remain exercisable throughout the loan term and any extensions. They shall survive full or early repayment of the Debenture.

The Debenture is subject to an arrangement fee of AUD \$25,000 which shall be paid within fourteen (14) days of the conclusion of the loan.

Subsequent to May 31, 2025, the Company has repaid \$150,000 of the convertible debt.

- iv) Subsequent to May 31, 2025, the Company advanced an additional \$88,878 to FMN increasing the related party loan.