

LIONS BAY CAPITAL INC.

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

For the Three Months Ended August 31, 2025, and 2024

(In Canadian Dollars)

(Unaudited – Prepared by Management)

NOTICE TO READER

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

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

	Notes	August 31, 2025	May 31, 2025
ASSETS			
Current			
Cash		\$ 1,015,597	\$ 5,393
Prepays and other receivables	4	48,502	48,284
Investments	6,16	2,209,459	1,902,714
		3,273,558	1,956,391
Investment in Greensand	9	215,583	215,583
Related party loan	4,16	732,506	633,281
Co-generation power plant option	10	125,395	13,840
TOTAL ASSETS		\$ 4,347,042	\$ 2,819,095
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	16	\$ 1,184,614	\$ 1,152,543
Borrowings	11	1,114,467	845,301
Taxes payable		310,963	310,963
Option on Fidelity and Kalina shares	11	219,031	-
TOTAL LIABILITIES		2,829,075	2,308,807
Shareholders' Equity			
Share capital	12	8,092,868	7,565,874
Share based payment reserves	13	569,704	569,704
Share subscriptions received in advance	13	397,500	-
Convertible debt reserves	11	8,562	-
Warrant reserves	13	1,073,880	913,374
Foreign currency translation reserves		(3,206)	9,279
Deficit		(8,500,697)	(8,428,775)
Total shareholders' equity attributable to owners of the Company		1,638,611	629,456
Non-controlling interest		(120,644)	(119,168)
Total shareholders' equity		1,517,967	510,288
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 4,347,042	\$ 2,819,095

Note 1 – Nature of operations and going concern

Note 18 – Subsequent events

On behalf of the Board of Directors

“John Byrne”

Director

“Ross MacLachlan”

Director

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

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

For the three months ended 31 August	2025	2024
	\$	\$
NET INVESTMENT GAIN/(LOSS)		
Net change in unrealized gain/(loss) on marketable securities (note 6)	316,387	(47,856)
Unrealized fair value loss on derivative financial instrument (note 5)	-	(3,189)
Interest and other income	-	2,806
Gain on fair value change of Fidelity and Kalina option (note 11)	(66,956)	33,113
	<u>249,431</u>	<u>(15,126)</u>
OTHER INCOME (EXPENSE)		
Finance expense – accretion (note 11)	(85,491)	-
Financing costs (note 11)	(42,266)	(8,293)
Forex variance	1,812	(42,692)
Gain on purchase of related party loan (note 4)	-	47,200
EXPENSES		
Professional fees	(55,268)	(76,454)
General and administrative	(71,802)	(40,701)
Directors fees	(69,814)	(66,024)
TOTAL EXPENSES	<u>(196,884)</u>	<u>(186,964)</u>
NET LOSS	(73,398)	(202,090)
OTHER COMPREHENSIVE INCOME/(LOSS)	<u>(12,485)</u>	<u>(7,293)</u>
NET LOSS AND TOTAL COMPREHENSIVE LOSS	<u>(85,883)</u>	<u>(209,383)</u>
NET LOSS ATTRIBUTABLE TO:		
Owners of the Company	(71,922)	(201,290)
Non-controlling interest	(1,476)	(800)
	<u>(73,398)</u>	<u>(202,090)</u>
OTHER COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Owners of the Company	(12,485)	(7,293)
Non-controlling interest	-	-
	<u>(12,485)</u>	<u>(7,293)</u>
Loss per common share		
- Basic and diluted	<u>(\$0.00)</u>	<u>(\$0.01)</u>
Weighted average number of common shares		
- Basic and diluted	<u>28,466,302</u>	<u>28,421,171</u>

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

LIONS BAY CAPITAL INC.

INTERIM CONDENSED 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	Share subscriptions received in advance	Equity portion of convertible debt	Deficit	Attributable to owners of the Company	Non-controlling interest	Total Equity
	Number	Share capital									
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
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
Cumulative translation adjustment	-	-	(12,485)	-	-	-	-	-	(12,485)	-	(12,485)
Net loss for the year	-	-	-	-	-	-	-	(71,922)	(71,922)	(1,476)	(73,398)
Convertible debt	-	-	-	-	-	-	8,562	-	8,562	-	8,562
Private placement	6,875,000	526,994	-	-	160,506	397,500	-	-	1,085,000	-	1,085,000
BALANCE, AUGUST 31, 2025	35,296,171	8,092,868	(3,206)	569,704	1,073,880	397,500	8,562	(8,500,697)	1,638,611	(120,644)	1,517,967

	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	-	-	(7,293)	-	-	-	(7,293)	-	(7,293)
Net loss for the period	-	-	-	-	-	(201,290)	(201,290)	(800)	(202,090)
BALANCE, AUGUST 31, 2024	28,421,171	7,565,874	(30,265)	569,704	913,374	(5,643,672)	3,375,015	65	3,375,080

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

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

For the three months ended 31 August	2025 \$	2024 \$
Operating Activities		
Net Profit/(loss) after tax	(73,398)	(202,090)
Deduct/add Non-Cash & Other Items:		
Change in unrealized (gain) on investments	(316,387)	47,856
Unrealized fair value gain on derivative financial instrument	-	3,189
Exchange variation	-	42,173
Finance costs	42,266	8,293
Accretion	85,491	-
Interest income	-	(2,806)
Gain on purchase of related party loan	-	(47,200)
Gain on fair value of Fidelity and Kalina options	67,372	(33,113)
Changes in Non-Cash Working Capital:		
(Increase)/decrease in receivable	(221)	(15,076)
(Increase)/decrease in trade and other payable	9,795	115,020
Proceeds from disposal of marketable securities	-	-
Debt investments	-	-
Exploration asset expenditures	-	(52,906)
Debt investment repayment	-	(13,777)
Investment in Greensand	-	(2,247)
Investment in Co-generation plant	(111,554)	-
Cash Flows From (Used In) Operating Activities	(296,636)	(152,684)
Financing Activities		
Advances to related party	(99,225)	(58,689)
Repayment of loan	(20,936)	(22,334)
Proceeds from loan	343,663	229,314
Proceeds from private placement	1,085,000	-
Cash Flows From (Used In) Financing Activities	1,308,502	148,291
Net increase/(decrease) in cash	1,011,866	(4,393)
Effect of foreign exchange on cash	(1,662)	(3,169)
Cash - Beginning of period	5,393	21,445
Cash - End of period	1,015,597	13,883

Supplemental cash flow information (note 18)

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

LIONS BAY CAPITAL INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AUGUST 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 August 31, 2025, the Company had working capital of \$444,483 which includes investments with a fair market value of \$2,209,459 and cash of \$1,015,597.

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AUGUST 31, 2025 and 2024 (in Canadian dollars)

2. Basis of Presentation

Reporting and basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended May 31, 2025.

The Company’s management makes judgments in its process of applying the Company’s accounting policies in the preparation of its unaudited interim condensed consolidated financial statements. In addition, the preparation of the financial data requires that the Company’s management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company’s unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended May 31, 2025. In addition the accounting policies applied in these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s audited financial statements for the year ended May 31, 2025.

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

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on October 27, 2025.

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:

LIONS BAY CAPITAL INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AUGUST 31, 2025 and 2024 *(in Canadian dollars)*

(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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AUGUST 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AUGUST 31, 2025 and 2024 (in Canadian dollars)****4. Prepaids and Other Receivables**

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

	Aug 31 2025	May 31 2025
	\$	\$
Prepaid expenses	7,244	7,244
GST Receivable	24,262	22,836
Other receivables	16,996	18,204
	<u>48,502</u>	<u>48,284</u>

During the period ended August 31, 2025, the Company loaned Fidelity Minerals Corp. ("FMN") \$99,225 (2025 - \$298,754), settled \$nil (2024 - settled \$425,000 of the loan receivable for 8,500,000 FMN common shares (note 6)), purchased \$nil (2024 - purchased \$67,200 of FMN receivables for \$20,000, recognizing a gain on purchase of related party loan of \$47,200) and in 2024 reallocated \$70,000 from current other receivables to long-term related party loan. As at August 31, 2025, the total balance receivable from FMN was \$732,506 (2025 - \$633,281). 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. Subsequent to period end August 31, 2025, the Company was repaid \$300,000 of the FMN receivable.

5. Derivative Financial Instruments

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

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.

LIONS BAY CAPITAL INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AUGUST 31, 2025 and 2024 (in Canadian dollars)****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. During the period ended August 31, 2025, these warrants expired unexercised.

	August 31, 2025	August 31, 2024
Expected warrant life	-	0.94 years
Expected stock price volatility	-	99%
Dividend payment during life of warrant	-	Nil
Risk free interest rate	-	3.67%
Weighted average strike price	\$ -	\$ 0.30
Weighted average fair value per warrant	\$ -	\$ 0.00
Weighted average share price	\$ -	\$ 0.037

	Number of warrants	Weighted average exercise price \$	Derivative \$
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	-
Heavy Rare Earths Warrants expired	(2,000,000)	0.30	-
Balance, August 31, 2025	-	-	-

During the period ended August 31, 2025, the Company had a total loss on derivatives of \$nil (2024 – loss of \$2,806).

LIONS BAY CAPITAL INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AUGUST 31, 2025 and 2024 (in Canadian dollars)****6. Investments**

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

	May 31, 2025 Fair value	Acquired	Disposed	Gain/(Loss)	CTA	Aug 31, 2025 Fair Value
Kalina Power Ltd (i)	\$ 319,681	\$ -	\$ -	\$ 651,990	\$ (9,082)	\$ 962,589
Fidelity Minerals Corp (ii)	1,473,859	-	-	(343,499)	-	1,130,360
Heavy Rare Earths Limited (iii)	35,293	-	-	7,942	(560)	42,675
Arctic Star	3,000	-	-	(1,000)	-	2,000
Bishop Resources	70,881	-	-	954	-	71,835
Total	\$ 1,902,714	\$ -	\$ -	\$ 316,387	\$ (9,642)	\$ 2,209,459

During the period ended August 31, 2025, the Company recorded an unrealized gain of \$316,387 on 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 (iii)	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

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.

LIONS BAY CAPITAL INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AUGUST 31, 2025 and 2024 (in Canadian dollars)**

	Cost	Fair Value	Cost	Fair Value
	Aug 31	Aug 31	May 31	May 31
	2025	2025	2025	2025
	\$	\$	\$	\$
Kalina Power Ltd (i)	1,600,382	962,589	1,600,382	319,681
Fidelity Minerals Corp (ii)	4,583,670	1,130,360	4,583,670	1,473,859
Heavy Rare Earth Limited (iii)	110,783	42,675	110,783	35,293
Arctic Star	16,000	2,000	16,000	3,000
Bishop Resources	75,073	71,835	75,073	70,881
Total	6,385,908	2,209,459	6,385,908	1,902,714

- (i) During the year ended May 31, 2025, the Company sold 18,891,372 shares for proceeds of \$157,016.
- (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 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.
- (iii) During the year ended May 31, 2025, the Company acquired 325,000 common shares for proceeds of \$8,825.

As at August 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 (2025 – 90,075,963) which represents 3.07% (2025 – 3.07%) of the outstanding common shares of Kalina Power Ltd. valued at \$962,589 (May 31, 2025 - \$319,681). 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 9,825,662 (2025 – 9,825,662) which represents 45.22% (2025 – 45.22%) of the outstanding common shares of FMN valued at \$1,130,360 (2025 - \$1,473,859). 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 (2025 – 200,000) which represents 0.08% (2025 – 0.08%) of the outstanding common shares of Arctic Star valued at \$2,000 (2025 - \$3,000).
- 4) Heavy Rare Earth Limited – listed on the ASX (HRE). The Company owns 975,000 (2025 – 975,000) which represents 0.47% (2025 – 0.47%) of the outstanding common shares of HRE valued at \$42,675 (2025 - \$35,393). HRE is considered a related party by virtue of a common director.
- 5) Bishop Resources – private company. The Company owns 500,000 (2025 – 500,000) of the outstanding common shares of Bishop Resources valued at \$71,835 (2025 - \$70,881).

LIONS BAY CAPITAL INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AUGUST 31, 2025 and 2024 *(in Canadian dollars)*

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;

	August 31, 2025	May 31, 2025
Opening balance	\$ -	\$ 1,736,088
Advances	-	23,518
Unrealized foreign exchange	-	10,482
Revaluation	-	(1,770,088)
Ending balance	\$ -	\$ -

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 Propriety 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, 2025, 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, 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.

LIONS BAY CAPITAL INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AUGUST 31, 2025 and 2024 (in Canadian dollars)****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 at May 31, 2025, the loan was 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 based on a recovery analysis compared to similar distressed debt instruments trading in the market.

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.

	August 31, 2025	May 31, 2025
Opening balance	\$ -	\$ 80,029
Repayments	-	-
Interest accrued	-	-
Revaluation	-	(71,990)
Unrealized foreign exchange	-	(8,039)
Ending balance	\$ -	\$ -

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.

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.

LIONS BAY CAPITAL INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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During the year ended May 31, 2025, the Company amended the terms of the option agreement to include additional mining claims.

Exploration investment	Epic Minerals
Balance at May 31, 2024	\$ 314,265
Additions	129,121
Impairment	(433,075)
Effects of foreign exchange	(10,311)
Balance at May 31, 2025 and August 31, 2025	\$ -

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.

During the period ended August 31, 2025, the Company terminated the Epic option agreement and entered into a new agreement where CGJB Pty Ltd. ("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);

LIONS BAY CAPITAL INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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- 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.

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 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 (2025 - \$176,355) as at August 31, 2025.

Investment in Greensand	
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
Equity pick-up	-
Balance at August 31, 2025	\$ 215,583

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

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

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

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 during the period ended August 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. During the period ended August 31, 2025, the Company incurred \$36,681 in due diligence costs related to the evaluation of the opportunity.

	August 31, 2025	May 31, 2025
Opening balance	\$ 13,840	\$ -
Option deposit	74,873	13,840
Due diligence costs	36,681	-
Ending balance	\$ 125,395	\$ 13,840

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED
AUGUST 31, 2025 and 2024 *(in Canadian dollars)*

11. Borrowings

	May 31, 2025	Draw	Interest	Repayment	Transaction Costs	Accretion	Equity Portion	Foreign Exchange	Aug 31, 2025
Borrowings – related party (ii)	\$ 845,301	\$ -	\$ 18,806	\$ (20,936)	\$ -	\$ -	\$ -	\$ (374)	\$842,797
Convertible debt (iii)	-	253,930	10,870	-	(174,350)	85,491	(8,561)	1,967	169,347
Promissory note (iv)	-	89,733	12,590	-	-	-	-	-	102,323
Total	\$ 845,301	\$ 343,663	\$ 42,266	\$ (20,936)	\$ (174,350)	\$ 85,491	\$ (8,561)	\$ 1,593	\$ 1,114,467
Classified as current									\$ 1,114,467

	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

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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 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 period ended August 31, 2025, Twenty-Second Yeneb Pty Limited, a company controlled by John Byrne, advanced a loan of \$nil (AUD \$nil) (Year ended May 31, 2025 - \$531,994 (AUD \$599,700)) to the Company and the Company repaid \$20,936 (AUD \$23,600) (Year ended May 31, 2024 - \$10,645 (AUD \$12,000)). The loan bears interest at 10% compounded monthly, is unsecured and payable on demand. As at August 31, 2025, total loan and interest outstanding is \$842,797 (May 31, 2025 - \$845,301).

(iii) During the period August 31, 2025, the Company closed a \$253,929 (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 shall increase to 20% per annum, applied retrospectively. The Maturity Date may be extended by a further four (4) months by mutual agreement.

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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

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

Based on the discount factor of 7.00% over the debenture’s term of six months used to determine the fair value of the debenture, the conversion feature was classified as equity and was assigned a residual value of \$8,562.

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
- 2,000,000 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 fair value of the Kalina share options at the date of grant was estimated at \$19,166 using the Black-Scholes option pricing model with the following assumptions: a 6-month expected life; 170% volatility; risk-free interest rate of 2.69%; and a dividend yield of 0%.

The fair value of the Fidelity share options at the date of grant was estimated at \$132,909 using the Black-Scholes option pricing model with the following assumptions: a 6-month expected life; 165% volatility; risk-free interest rate of 2.69%; and a dividend yield of 0%.

As at August 31, 2025, the option over 2,000,000 FMN shares had a fair value of \$110,136 (2025 - \$nil) using the Black-Scholes option pricing model with the following assumptions: a 4-month expected life; 133% volatility; risk-free interest rate of 2.69%; and a dividend yield of 0%. A gain of \$22,773 (2025 – \$nil) was recorded on the option liability.

As at August 31, 2025, the option over 20,000,000 Kalina shares had a fair value of \$108,895 (2025 - \$nil) using the Black-Scholes option pricing model with the following

LIONS BAY CAPITAL INC.

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assumptions: a 4-month expected life; 200% volatility; risk-free interest rate of 2.69%; and a dividend yield of 0%. A loss of \$89,729 (2025 – \$nil) was recorded on the option liability.

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 August 31, 2025, the Company has repaid \$150,000 of the convertible debt.

- (iv) During the period ended August 31, 2025, the Company received proceeds from a promissory note of \$89,733 (AUD \$100,000) which incurred an arrangement fee of \$12,590 (AUD \$15,000) which was recorded as interest expense. The promissory note is non-interest bearing and due on demand.

12. Share Capital

a) Authorized:

Unlimited number of common shares, without par value.

Unlimited number of preferred shares, without par value.

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

On August 28, 2025, the Company closed the first tranche of the non-brokered private placement and issued a total of 6,875,000 units of the Company 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. The Company also received the \$397,500 related to the second tranche and is awaiting TSX-V approval to close this portion of the financing.

The fair value of warrants per the private placement at the date of grant was estimated at \$160,506 using the proportionate allocation method and the fair value of the finders warrants was estimated at \$209,391. The warrants were valued using the Black-Scholes option pricing model with the following weighted average assumptions: 2.69% risk free interest rate, expected life of 2 years, 149% annualized volatility and 0% dividend rate.

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.

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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:

	Aug 31, 2025		May 31, 2025	
	Number of options	Exercise price \$	Number of options	Exercise price \$
Options outstanding beginning of the year	-	-	-	-
Options expired	-	-	-	-
Options outstanding	-	-	-	-
	Number of warrants	Exercise price \$	Number of warrants	Exercise price \$
Warrants outstanding, beginning of the year	-	-	-	-
Warrants Issued	3,437,500	0.20	-	-
Warrants outstanding	3,437,500	0.20	-	-

Outstanding warrants	Expiry Date	Exercise price
3,437,500	August 28, 2027	\$0.20
3,437,500		

14. Capital Management

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

The Company's capital consists of shareholder's equity. 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 period ended August 31, 2025.

The Company does not have any externally imposed capital requirements.

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

As at August 31, 2025	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Investments (note 6)	2,137,624	71,835	-	2,209,459
	2,137,624	71,835	-	2,209,459

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

Transfers between levels of the fair value hierarchy are deemed to have occurred at the date of the event or change in circumstance that caused the transfer. No transfers took place during the period ended August 31, 2025 and year ended May 31, 2025.

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.

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Interest rate risk

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include change in net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in value of financial instruments whose cash flows are fixed in nature.

As at August 31, 2025, if interest rates were higher by 1% per annum, the potential effect to the Company would change in net income (loss) of approximately \$10,121 (May 31, 2025: \$8,453).

Currency risk

Changes in currency rates will impact the carrying value of instruments denominated in currencies other than the Canadian dollar. As at August 31, 2025, the Company is primarily exposed to foreign exchange risk through Australian dollar denominated investments of \$1,077,106 (May 31, 2025: \$425,855), which represent approximately 48.7% (May 31, 2025: 22.4%) 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 \$53,855 respectively (May 31, 2025: \$21,293).

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 \$220,946 (May 31, 2025: \$190,271).

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

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light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio.

For unlisted equity instruments:

- Investments are valued at cost for a limited period after the date of acquisition, if the purchase price remains representative of the fair value at the reporting date; otherwise, investments are valued using one of the other methodologies detailed below.
- Investments in which there has been recent or in-progress funding round involving significant financing from external investors are valued at the price of the recent funding, whereby the various shareholder categories rights are taken into account in the valuation. The price is adjusted, where appropriate, if an external investor is motivated by strategic considerations.
- Investments in which there has been a recent financing round involving only existing investor participating proportionally to their existing investment are examined as to whether specific conditions exist that could reduce the reliability of this financing round as an indication of real value. An internal financing with investors at a lower price than the valuation at the previous reporting date may indicated a decrease in value and is taken into consideration.
- Investments that have achieved an exit after the valuation date but before finalization of the financial statements are valued based on the exit valuation, if the exit valuation was reasonably evident at the measurement date.
- Investment in which there has been a recent private secondary market trade of meaningful volume and the transaction is undertaken by sophisticated, arm's length investor are valued at the price of the recent trade and are adjusted, as appropriated, if the purchaser is motivated by strategic considerations.
- Investments in early-stage companies not generating sustainable revenue or earnings and for which there has not been any recent independent funding are valued using alternative methodologies. The Company considers investee company performance relative to plan, going concern risk, continued funding availability, comparable peer group valuations, exit market conditions and general sector conditions and calibrates its valuation of each investment as appropriate.
- For public company warrants (i.e., the underlying security of which is traded on a recognized stock exchange), valuation models such as the Black-Scholes model are used when there are sufficient and reliable observable market inputs. These market inputs include risk-free interest rate, exercise price, market price at date of valuation, expected dividend yield, expected life of the instrument and expected volatility of the underlying security. To the extent that the market inputs are insufficient or unreliable, the warrants are valued at their intrinsic value, which is equal to the higher of the closing price of the underlying security less the exercise price of the warrant, or nil. For private company warrants, the

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underlying security is not traded on a recognized stock exchange, therefore fair value is determined consistent with other investments that do not have an active market, as described above.

As at August 31, 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.

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 period ended August 31, 2025, Twenty-Second Yeneb Pty Limited, a company controlled by John Byrne, provided President and CEO services to the Company. During the period ended August 31, 2025 total fee charged was \$60,000 (2025 - \$60,000). Total amount accrued for Twenty-Second Yeneb Pty Limited as at August 31, 2025, which included fees and business expenses was \$492,040 (May 31, 2025 - \$395,435).

During the period ended August 31, 2025, a company controlled by Anthony Balic charged fees for CFO services of \$26,250 (2025 - \$26,250). As at August 31, 2025, the amount owed was \$207,797 (May 31, 2025 - \$234,853).

During the period ended August 31, 2025, a company controlled by Ryan Batros, a director of the Company, charged consulting fees of \$22,424 (2025 - \$nil). As at August 31, 2025, the amount owed was \$nil (May 31, 2025 - \$nil).

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During the period ended August 31, 2025, the Company was charged directors fees of \$6,000 (2025 - \$6,000) by Ross MacLachlan. As at August 31, 2025, the Company had \$117,282 (2025 - \$111,282) payable to Ross.

During the period ended August 31, 2025, the Company was charged directors fees of \$3,000 (2024 - \$nil) by Patrick Power. As at August 31, 2025, the Company had \$7,800 (2025 - \$4,800) payable to Patrick.

During the period ended August 31, 2025, the Company was charged by Kalina Power Ltd. \$6,555 (2025 - \$3,503) for management services and \$1,188 (2025 - \$7,324) for rent. As at August 31, 2025, the Company had accounts payable of \$29,652 (2025 - \$68,163) outstanding to Kalina Power Ltd. which is considered a related party by virtue of a common director.

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

During the period ended August 31, 2025, Twenty-Second Yeneb Pty Limited, a company controlled by John Byrne, advanced a loan of \$nil (AUD \$nil) (Year ended May 31, 2025 - \$531,994 (AUD \$599,700)) to the Company and the Company repaid \$20,936 (AUD \$23,600) (Year ended May 31, 2024 - \$10,645 (AUD \$12,000)). The loan bears interest at 10% compounded monthly, is unsecured and payable on demand. As at August 31, 2025, total loan and interest outstanding is \$842,797 (May 31, 2025 - \$845,301).

During the period ended August 31, 2025, the Company loaned FMN \$99,225 (2025 - \$298,754), settled \$nil (2024 – settled \$425,000 of the loan receivable for 8,500,000 FMN common shares (note 6)), purchased \$nil (2024 – purchased \$67,200 of FMN receivables for \$20,000, recognizing a gain on purchase of related party loan of \$47,200) and in 2024 reallocated \$70,000 from current other receivables to long-term related party loan. As at August 31, 2025, the total balance receivable from FMN was \$732,506 (2025 - \$633,281). 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. Subsequent to period end August 31, 2025, the Company was repaid \$300,000 of the FMN receivable.

17. Supplemental cash flow information

	<u>2025</u>	<u>2024</u>
	\$	\$
FMN shares received for reduction of related party receivable	-	425,000
Equity portion of convertible debt	8,562	-
Warrants issued on private placement	160,506	-
Options on KPO and FMN shares	152,075	-

LIONS BAY CAPITAL INC.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AUGUST 31, 2025 and 2024 (in Canadian dollars)**

18. Subsequent events

Subsequent to period end, on October 7, 2025, the Company acquired ownership of an additional 3,325,000 units of FMN at a price of \$0.10 per unit for aggregate consideration of \$332,500, pursuant to a non-brokered private placement. Each unit is comprised of one common share and one-half share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at a price of \$0.20 per share until October 7, 2027.