

# **ELYSEE**

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## **DEVELOPMENT CORP.**

**Condensed Consolidated Interim Financial Statements**

**May 31, 2019**

(Unaudited)

(Expressed in Canadian dollars)

## NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 consolidated interim financial statements of Elysee Development Corp. (the “Company”) have been prepared by and are the responsibility of the Company’s management. The unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management’s best estimates and judgements based on information currently available.

The Company’s independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.



# Elysee Development Corp.

## Condensed Consolidated Statements of Earnings and Comprehensive Earnings

(Expressed in Canadian dollars)

(Unaudited)

	Notes	For the three- month period ended May 31, 2019	For the three- month period ended May 31, 2018	For the six month period ended May 31, 2019	For the six month period ended May 31, 2018
<b>Net investment income</b>					
Realized gain on sale of marketable securities	7	\$ 20,945	\$ 667,023	\$ 528,903	\$ 1,418,339
Unrealized gain (loss) on marketable securities	7	(52,541)	(511,913)	273,027	(188,091)
Consulting income		-	-	5,000	-
Unrealized foreign exchange gain (loss)		138	528	(1,214)	(963)
Interest and dividend income		52,264	31,341	105,359	46,110
<b>Total net investment income</b>		<b>20,806</b>	186,979	<b>911,075</b>	1,275,395
<b>General and administrative expenses</b>					
Advertising and promotion		2,528	775	5,839	1,068
Bank charges and interest		859	426	1,315	1,032
Director fees	13	3,075	3,075	6,400	6,400
Legal and accounting		21,850	25,735	41,184	45,849
Management fees	13	38,250	38,250	77,750	77,750
Office and miscellaneous		4,267	3,120	10,694	6,662
Rent	13	4,973	473	9,945	945
Share-based payments	9 & 13	10,274	-	21,159	96,649
Transfer agent, filing fees and shareholder communications		11,838	14,333	15,295	17,253
Travel and entertainment		231	16,110	18,430	22,537
<b>Total general and administrative expenses</b>		<b>(98,145)</b>	(102,297)	<b>(208,011)</b>	(276,145)
<b>Net earnings (loss) and comprehensive earnings (loss) for the period</b>					
		\$ (77,339)	\$ 84,682	\$ 703,064	\$ 999,250
<b>Basic and diluted earnings per share</b>					
Earnings per share - basic	10	\$ (0.00)	\$ 0.00	\$ 0.03	\$ 0.05
Earnings per share - diluted	10	\$ (0.00)	\$ 0.00	\$ 0.03	\$ 0.05

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

**Elysee Development Corp.**  
**Condensed Consolidated Statements of Cash Flows**  
(Expressed in Canadian dollars)  
(Unaudited)

		<b>Six-month period ended</b>	
		<b>May 31</b>	
	Notes	2019	2018
<b>OPERATING ACTIVITIES</b>			
Earnings for the period		\$ 703,064	\$ 999,250
Adjustments for:			
Accrued interest income		(75,115)	(33,001)
Share-based payments	9 & 13	21,159	96,649
Realized gain on sale of marketable securities	7	(528,903)	(1,418,339)
Unrealized (gain) loss on marketable securities	7	(273,027)	188,091
Purchase of investments	7	(3,712,579)	(3,321,021)
Proceeds from sale of investments	7	2,536,108	5,164,178
Adjustments for non-cash working capital items:			
Decrease in receivables		73,106	86,390
Decrease (increase) in prepaid expenses		(770)	388
Decrease in trade and other payables		(49,689)	(23,242)
Decrease in due to related parties		(130,000)	(125,000)
<b>Cash provided by (used in) operating activities</b>		<b>(1,436,646)</b>	1,614,343
<b>FINANCING ACTIVITIES</b>			
Cash dividends	9	(536,852)	(436,849)
Stock options exercised	9	60,000	45,000
Purchase of common shares returned to treasury	9	(9,680)	(20,750)
<b>Cash provided by (used in) financing activities</b>		<b>(486,532)</b>	(412,599)
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(1,923,178)</b>	1,201,744
Cash and cash equivalents, beginning of year		4,000,039	882,010
<b>Cash and cash equivalents, end of period</b>		<b>\$ 2,076,861</b>	\$ 2,083,754

**Supplemental cash flow information** (Note 14)

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

**Elysee Development Corp.**  
**Condensed Consolidated Statements of Changes in Equity**  
(Expressed in Canadian dollars)  
(Unaudited)

	Notes	Common shares		Contributed surplus	Deficit	Total
		Number	Amount			
Balances, November 30, 2017		21,692,474	\$ 42,095,833	\$ 13,836,922	\$ (44,431,650)	\$ 11,501,105
Common shares returned to treasury	9	(75,000)	(145,545)	-	124,795	(20,750)
Stock options exercised	9	225,000	57,465	(12,465)	-	45,000
Cash dividend declared	9	-	-	-	(436,849)	(436,849)
Share-based payments	9	-	-	96,649	-	96,649
Net earnings for the period		-	-	-	999,250	999,250
Balances, May 31, 2018		21,842,474	42,007,753	13,921,106	(43,744,454)	12,184,405
Balances, November 30, 2018		26,610,613	43,502,268	13,923,766	(43,512,296)	13,913,738
Common shares returned to treasury	9	(28,000)	(45,774)	-	36,094	(9,680)
Stock options exercised	9	200,000	85,276	(25,276)	-	60,000
Cash dividends declared	9	-	-	-	(536,852)	(536,852)
Share-based payments	9	-	-	21,159	-	21,159
Net earnings for the period		-	-	-	703,064	703,064
<b>Balances, May 31, 2019</b>		<b>26,782,613</b>	<b>\$ 43,541,770</b>	<b>\$ 13,919,649</b>	<b>\$ (43,309,990)</b>	<b>\$ 14,151,429</b>

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

**1. CORPORATE INFORMATION**

Elysee Development Corp. (the “Company”) was incorporated under the laws of the province of Alberta on September 6, 1996. On July 15, 2015, the Company changed its name from Alberta Star Development Corp. to Elysee Development Corp.

On December 31, 2015, the Company completed a change of business from a “mining issuer” to an “investment issuer”.

The head office, principal address and registered and records office is located at Suite 2300 - 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2.

The Company’s condensed consolidated interim financial statements for the six-month period ended May 31, 2019 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company had net comprehensive earnings of \$703,064 for the six-month period ended May 31, 2019 (May 31, 2018 - \$999,250) and had working capital of \$11,677,424 as at May 31, 2019 (November 30, 2018 - \$13,042,902). Management believes that the Company’s cash position will support operations for the next twelve months.

**2. BASIS OF PREPARATION**

The condensed consolidated interim financial statements of the Company for the six-month period ended May 31, 2019 were approved and authorized for issue by the Board of Directors on July 11, 2019.

**Basis of presentation**

The Company’s condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as explained in Note 12, and are presented in Canadian dollars except where otherwise indicated. In addition, the condensed consolidated interim financial statements are prepared using the accrual method of accounting, with the exception of cash flow information.

**Statement of compliance**

The condensed interim financial statements of the Company and its subsidiaries have been prepared in accordance with International Accounting Standards (“IAS”) 34, “*Interim Financial Reporting*” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s annual consolidated financial statements for the year ended November 30, 2018.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Consolidation**

These condensed consolidated interim financial statements include the accounts of the Company's wholly-owned US subsidiary, Elysee Development (US), Inc. Intercompany balances are eliminated upon consolidation.

#### **Significant accounting judgments, estimates and assumptions**

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed consolidated interim financial statements and reported amounts of earnings and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

#### **Revenue recognition**

Security transactions are recorded on a trade basis. Realized gains and losses on the disposal of marketable securities and unrealized gains and losses in the value of marketable securities are reflected in the statement of earnings and comprehensive earnings. Cost is calculated on an average cost basis. Upon disposal of a security, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs are expensed as incurred. Interest and dividend income are recognized on an accrual basis.

#### **Cash and cash equivalents**

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

#### **Comparative figures**

Certain comparative figures have been adjusted to conform to the current period's presentation.

**4. CASH AND CASH EQUIVALENTS**

The Company's cash and cash equivalents are denominated in the following currencies:

	<b>May 31, 2019</b>	November 30, 2018
Denominated in Canadian dollars	<b>\$ 2,046,920</b>	\$ 3,723,718
Denominated in U.S. dollars	<b>29,941</b>	276,321
<b>Total cash and cash equivalents</b>	<b>\$ 2,076,861</b>	\$ 4,000,039

At May 31, 2019 and November 30, 2018, all of the Company's cash and cash equivalents were classified as cash.

**5. RECEIVABLES**

The Company's primary receivables arise from interest receivable as follows:

	<b>May 31, 2019</b>	November 30, 2018
<b>Interest receivable</b>	<b>\$ 75,115</b>	\$ 73,106

**6. PREPAID EXPENSES**

The Company's prepaid expenses are as follows:

	<b>May 31, 2019</b>	November 30, 2018
Insurance	<b>\$ 7,001</b>	\$ 3,180
Travel	-	3,050
<b>Total prepaid expenses</b>	<b>\$ 7,001</b>	\$ 6,230

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**7. MARKETABLE SECURITIES AND INVESTMENTS**

The Company's marketable securities and investments are as follows:

	Marketable securities	Warrants	Convertible debentures	Private Convertible debentures	Private company investments	Total	Total gain (loss)
<b>COST</b>							
November 30, 2017	\$ 8,042,741	\$ -	\$ 833,046	\$ -	\$ -	\$ 8,875,787	
Additions	4,813,075	-	1,410,674	384,090	486,746	7,094,585	
Proceeds on sale	(8,830,912)	-	(668,649)	-	-	(9,499,561)	
Realized gain (loss)	2,513,443	-	41,192	-	-	2,554,635	
November 30, 2018	<b>\$ 6,538,347</b>	<b>\$ -</b>	<b>\$ 1,616,263</b>	<b>\$ 384,090</b>	<b>\$ 486,746</b>	<b>\$ 9,025,446</b>	
Additions	2,021,355	-	88,055	-	1,603,169	3,712,579	
Proceeds on sale	(2,067,452)	-	(468,656)	-	-	(2,536,108)	
Realized gain (loss)	498,628	-	30,275	-	-	528,903	
<b>May 31, 2019</b>	<b>\$ 6,990,878</b>	<b>\$ -</b>	<b>\$ 1,265,937</b>	<b>\$ 384,090</b>	<b>\$ 2,089,915</b>	<b>\$ 10,730,820</b>	<b>\$ 528,903</b>
<b>FAIR VALUE</b>							
November 30, 2017	8,159,597	1,523,035	998,887	-	-	10,681,519	
Additions	4,813,075	-	1,410,674	384,090	486,746	7,094,585	
Cost of disposals	(6,317,469)	-	(627,457)	-	-	(6,944,926)	
Unrealized gain (loss)	(634,663)	(73,652)	(108,695)	-	-	(817,010)	
November 30, 2018	<b>\$ 6,020,540</b>	<b>\$ 1,449,383</b>	<b>\$ 1,673,409</b>	<b>\$ 384,090</b>	<b>\$ 486,746</b>	<b>\$ 10,014,168</b>	
Additions	2,021,355	-	88,055	-	1,603,169	3,712,579	
Cost of disposals	(1,568,824)	-	(438,381)	-	-	(2,007,205)	
Unrealized gain (loss)	472,791	(145,875)	(53,889)	-	-	273,027	
<b>May 31, 2019</b>	<b>\$ 6,945,862</b>	<b>\$ 1,303,508</b>	<b>\$ 1,269,194</b>	<b>\$ 384,090</b>	<b>\$ 2,089,915</b>	<b>\$ 11,992,569</b>	<b>\$ 273,027</b>
<b>Total gain for the six-month period ended May 31, 2019</b>							<b>\$ 801,930</b>

Valuation of common shares held as part of marketable securities has been determined in whole by reference to the quoted closing trade price of the shares on the TSX, TSX Venture Exchange and OTCQB at each period end date. Warrants received as attachments to various share purchase units do not trade in an active market. At the time of purchase the per unit cost was allocated in full to each common share. The value of warrants are subsequently determined at the measurement date using the Black-Scholes Option Pricing Model.

**8. TRADE AND OTHER PAYABLES**

The Company's trade and other payables are broken down as follows:

	<b>May 31, 2019</b>	November 30, 2018
Trade payables	<b>\$ 117</b>	\$ 19,805
Accrued liabilities	-	30,000
<b>Total trade and other payables</b>	<b>\$ 117</b>	\$ 49,805

**9. SHARE CAPITAL**

**Authorized share capital**

The Company has authorized an unlimited number of voting common shares with no par value. Authorized share capital also consists of an unlimited number of preferred shares with no par value, to be issued in series, with the directors being authorized to determine the designation, rights, privileges, restrictions and conditions attached to all of the preferred shares. At May 31, 2019, the Company had 26,782,613 common shares outstanding (November 30, 2018 – 26,610,613) and no preferred shares outstanding (November 30, 2018 - Nil).

**Share issuances and repurchases**

During the six-month period ended May 31, 2019, the Company issued 200,000 (May 31, 2018 – 225,000) common shares at \$0.30 (May 31, 2018 - \$0.20) per share pursuant to the exercise of stock options for proceeds of \$60,000 (May 31, 2018 - \$45,000). A total of \$25,276 (May 31, 2018 - \$12,465) was reversed from contributed surplus to common shares in connection with stock options exercised.

In addition, 28,000 (May 31, 2018 - 75,000) shares were repurchased at a total cost of \$9,680 (May 31, 2018 - \$20,750) and were returned to the Company's treasury pursuant to the Normal Course Issuer Bid.

During the year ended November 30, 2018, the Company closed a non-brokered private placement of 4,868,139 shares at a price of \$0.35 per share for gross proceeds of \$1,703,849. Total share issue costs of \$15,274 were paid in connection with the private placement.

**Normal Course Issuer Bid**

On April 29, 2019, the Company received approval from the TSX Venture Exchange (the "Exchange") to renew its Normal Course Issuer Bid (the "Bid"). The original Bid started on May 3, 2013. Pursuant to the Bid, the Company may purchase for cancellation, from time to time, as it considers advisable, up to 1,340,380 of its issued and outstanding common shares. The price which the Company will pay for any shares purchased will be the prevailing market price of such common shares on the Exchange at the time of such purchase. The Bid commenced on May 9, 2019 and will terminate on May 8, 2020, or such earlier time as the Bid is completed or at the option of the Company. Mackie Research Capital Corporation of Vancouver, British Columbia will conduct the Bid on behalf of the Company. During the six-month period ended May 31, 2019, the Company purchased 28,000 shares (May 31, 2018 – 75,000) at a total cost of

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\$9,680 (May 31, 2018 - \$20,750). The difference between the share repurchase price and the original share issuance of \$36,094 (May 31, 2018 - \$124,795) has been included in deficit.

**Cash dividend**

The Company declared a dividend of \$0.03 per common share for fiscal 2018. On August 3, 2018, the Company paid an interim dividend of \$0.01 per common share and on February 28, 2019, the Company paid a second dividend of \$0.02 per common share for fiscal 2018. The total amount of dividends paid for fiscal 2018 was \$755,027.

The Company declared a dividend of \$0.03 per common share for fiscal 2017. On July 31, 2017, the Company paid an interim dividend of \$0.01 per common share and on February 20, 2018, the Company paid a second dividend of \$0.02 per common share for fiscal 2017. The total amount of dividends paid for fiscal 2017 was \$655,274.

**Share purchase warrants**

There were no share purchase warrants outstanding for the periods ended May 31, 2019 and November 30, 2018.

**Stock options**

The Company grants share options in accordance with the policies of the Exchange. Under the general guidelines of the Exchange, the Company may reserve up to 20% of its issued and outstanding shares for its employees, directors or consultants to purchase shares of the Company. The exercise price for options granted under the plan will not be less than the market price of the common shares less applicable discounts permitted by the Exchange and options will be exercisable for a term of up to five years, subject to earlier termination in the event of death or the cessation of services.

The following is a summary of the changes to the Company's outstanding stock options for the periods ended May 31, 2019 and November 30, 2018:

	May 31, 2019		November 30, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	2,025,000	\$ 0.32	1,400,000	\$ 0.28
Granted	-	-	650,000	0.33
Granted	-	-	400,000	0.37
Exercised	(200,000)	0.30	(225,000)	0.20
Expired/cancelled	-	-	(100,000)	0.20
Expired/cancelled	-	-	(100,000)	0.30
<b>Outstanding, end of period</b>	<b>1,825,000</b>	<b>\$ 0.33</b>	<b>2,025,000</b>	<b>\$ 0.32</b>

On November 9, 2018, the Company granted 400,000 options to directors and officers, exercisable at \$0.37 per share and vested over three years until November 9, 2021. The fair value of the options granted was \$59,925 of which \$2,660 was attributed to the fourth quarter ended November 30, 2018 and \$21,159 was attributed for the six-month period ended May 31, 2019. This valuation was based on the Black-Scholes

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Option Pricing Model, with the following assumptions: risk free rate 2.29%; volatility of 64.64%; dividend rate 0%; forfeiture rate 0%; and expected life of 3 years.

On February 27, 2018, the Company granted 650,000 options to directors and officers, exercisable at \$0.33 per share until February 27, 2021. The grant date fair value of the options granted was \$96,649 (\$0.149 per option) based on the Black-Scholes Option Pricing Model, with the following assumptions: risk free rate 1.51%; volatility of 66.94%; dividend rate 0%; forfeiture rate 0%; and expected life of 3 years.

The following table summarizes information regarding stock options outstanding and exercisable as at May 31, 2019:

<b>Grant date</b>	<b>Expiry date</b>	<b>Number of options outstanding</b>	<b>Number of options exercisable</b>	<b>Exercise price</b>	<b>Remaining contractual life (years)</b>
August 3, 2016	August 3, 2019	200,000	200,000	\$ 0.30	0.17
July 7, 2017	July 7, 2020	575,000	575,000	\$ 0.305	1.10
February 27, 2018	February 27, 2021	650,000	650,000	\$ 0.33	1.75
November 9, 2018	November 9, 2021	400,000	66,666	\$ 0.37	2.45
<b>Total options</b>		<b>1,825,000</b>	<b>1,491,666</b>		

**10. EARNINGS PER SHARE**

The calculation of basic and diluted earnings per share is based on the following data:

	<b>For the three-month period ended May 31, 2019</b>	For the three-month period ended May 31, 2018	<b>For the six-month period ended May 31, 2019</b>	For the six-month period ended May 31, 2018
Net earnings (loss) for the period	<b>\$ (77,339)</b>	\$ 84,682	<b>\$ 703,064</b>	\$ 999,250
Weighted average number of shares – basic	<b>26,807,613</b>	21,842,474	<b>26,732,003</b>	21,772,693
Weighted average number of shares – diluted	<b>26,977,832</b>	21,935,568	<b>26,902,222</b>	21,865,787
Basic earnings (loss) per share	<b>\$ (0.00)</b>	\$ 0.00	<b>\$ 0.03</b>	\$ 0.05
Diluted earnings (loss) per share	<b>\$ (0.00)</b>	\$ 0.00	<b>\$ 0.03</b>	\$ 0.05

The basic earnings per share is computed by dividing the net earnings by the weighted average number of common shares outstanding during the period. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the period, if dilutive. During the periods ended May 31, 2019 and May 31, 2018, stock options were the only equity instruments with a dilutive impact.

**11. CAPITAL RISK MANAGEMENT**

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, contributed surplus and deficit. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

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The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the six-month period ended May 31, 2019. The Company is not subject to externally imposed capital requirements.

**12. FINANCIAL INSTRUMENTS**

**Categories of financial instruments**

	<b>May 31, 2019</b>	November 30, 2018
<b>FINANCIAL ASSETS</b>		
<b>FVTPL, at fair value</b>		
Cash and cash equivalents	<b>\$ 2,076,861</b>	\$ 4,000,039
Marketable securities	<b>9,518,564</b>	9,143,332
Investment in private companies	<b>2,474,005</b>	870,836
<b>Loans and receivables, at amortized cost</b>		
Interest receivable	<b>75,115</b>	73,106
<b>Total financial assets</b>	<b>\$ 14,144,545</b>	\$ 14,087,313
<b>FINANCIAL LIABILITIES</b>		
<b>Other liabilities, at amortized cost</b>		
Trade and other payables	<b>\$ 117</b>	\$ 49,805
Due to related parties	<b>-</b>	130,000
<b>Total financial liabilities</b>	<b>\$ 117</b>	\$ 179,805

**Fair value**

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the condensed consolidated interim financial statements approximates their fair value due to the demand nature or short-term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

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	Level 1	Level 2	Level 3	Total
<b>As at May 31, 2019</b>				
Cash and cash equivalents	\$ 2,076,861	\$ -	\$ -	\$ 2,076,861
Marketable securities – shares	6,945,862	-	-	6,945,862
Marketable securities - convertible debt	1,269,194	-	-	1,269,194
Investment in private companies – shares	-	-	2,089,915	2,089,915
Investment in private companies - convertible debt	-	-	384,090	384,090
Marketable securities – warrants	-	1,303,508	-	1,303,508
<b>Total financial assets at fair value</b>	<b>\$ 10,291,917</b>	<b>\$ 1,303,508</b>	<b>\$ 2,474,005</b>	<b>\$ 14,069,430</b>

	Level 1	Level 2	Level 3	Total
<b>As at November 30, 2018</b>				
Cash and cash equivalents	\$ 4,000,039	\$ -	\$ -	\$ 4,000,039
Marketable securities – shares	6,020,540	-	-	6,020,540
Marketable securities - convertible debt	1,673,409	-	-	1,673,409
Investment in private companies – shares	-	-	486,746	486,746
Investment in private companies - convertible debt	-	-	384,090	384,090
Marketable securities – warrants	-	1,449,383	-	1,449,383
<b>Total financial assets at fair value</b>	<b>\$ 11,693,988</b>	<b>\$ 1,449,383</b>	<b>\$ 870,836</b>	<b>\$ 14,014,207</b>

**Management of financial risks**

The financial risks arising from the Company's operations include credit risk, liquidity risk, interest rate risk, currency risk and market risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Credit risk**

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents and receivables. The Company manages its credit risk relating to cash and cash equivalents by dealing only with highly-rated Canadian financial institutions. As at May 31, 2019, receivables were comprised of interest receivable of \$75,115 (November 30, 2018 - \$73,106). As a result, credit risk is considered insignificant.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. The Company has cash and cash equivalents of \$2,076,861 (November 30, 2018 - \$4,000,039) to settle current liabilities of \$117 (November 30, 2018 - \$179,805), therefore liquidity risk is considered insignificant.

### **Interest rate risk**

The Company's interest rate risk is primarily related to the Company's cash and cash equivalents for which amounts were invested at interest rates in effect at the time of investment. Changes in market interest rates affect the fair market value of the cash and cash equivalents. However, as these investments come to maturity within a short period of time, the impact would likely not be significant. The Company also has investments in convertible debentures which have a fixed interest rate and are not subject to interest rate fluctuations.

A 1% change in short-term rates would have changed the interest income and net earnings of the Company, assuming that all other variables remained constant, by approximately \$10,384 (May 31, 2018 - \$10,419) for the six-month period ended May 31, 2019.

### **Currency risk**

The majority of the Company's cash flows and financial assets and liabilities are denominated in Canadian dollars, which is the Company's functional and reporting currency. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar.

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by holding most of its cash and cash equivalents in Canadian dollars (Note 4). The Company monitors and forecasts the values of net foreign currency cash flow and financial position exposures and from time to time could authorize the use of derivative financial instruments such as forward foreign exchange contracts to economically hedge a portion of foreign currency fluctuations. The Company has not, to the date of these condensed consolidated interim financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

### **Market risk**

Market risk is the risk that the fair value of or future cash flows from the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk in trading its marketable securities and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

The Company manages market risk by having a portfolio that is not singularly exposed to any one issuer or class of issuers. The Company's investment activities are currently concentrated primarily in junior exploration and mining companies active in the gold and silver sector as well as several technology companies.

**13. RELATED PARTY TRANSACTIONS**

**Key management personnel and director compensation**

The remuneration of directors and other members of key management were as follows:

	<b>For the three-month period ended May 31, 2019</b>	For the three-month period ended May 31, 2018	<b>For the six-month period ended May 31, 2019</b>	For the six-month period ended May 31, 2018
Management fees	<b>\$ 37,500</b>	\$ 37,500	<b>\$ 75,000</b>	\$ 75,000
Accounting fees	<b>15,000</b>	20,000	<b>\$ 30,000</b>	\$ 35,000
Director fees	<b>3,000</b>	3,000	<b>\$ 6,000</b>	\$ 6,000
Share-based payments	-	-	-	-
<b>Total key management personnel compensation</b>	<b>\$ 55,500</b>	\$ 60,500	<b>\$ 111,000</b>	\$ 116,000

The amounts owing to directors and other members of key management were as follows:

	<b>May 31, 2019</b>	November 30, 2018
Chairman and Chief Executive Officer	\$ -	\$ 80,000
President	-	25,000
Chief Financial Officer	-	15,000
Directors	-	10,000
<b>Total</b>	<b>\$ -</b>	\$ 130,000

During the year ended November 30, 2018, the Company granted 400,000 options, exercisable at \$0.37 per share until November 9, 2021 to directors and officers of the Company vested over three years. The vested non-cash amount for the year ended November 30, 2018 was an estimated fair value of \$2,660 and for the six-month period ended May 31, 2019 was an estimated fair value of \$21,159.

During the year ended November 30, 2018, the Company granted 650,000 options, exercisable at \$0.33 per share until February 27, 2021 to directors and officers of the Company with a vested estimated non-cash fair value of \$96,649.

During the six-month period ended May 31, 2019, the Company paid \$9,000 (May 31, 2018 - \$Nil) for office rent to a company controlled by the Chief Executive Officer.

**14. SUPPLEMENTAL CASH FLOW INFORMATION**

During the six-month period ended May 31, 2019, the amount credited to deficit on the repurchase of the Company's shares was \$36,094 (May 31, 2018 - \$124,795) (Note 9).

During the six-month period ended May 31, 2019, the Company reversed \$25,276 (May 31, 2018 - \$12,465) from contributed surplus to common shares in connection with stock options exercised (Note 9).

**Cash payments for interest and taxes**

The Company made cash payments for interest of \$Nil (May 31, 2018 - \$Nil) and income taxes of \$Nil (May 31, 2018 - \$Nil) during the six-month period ended May 31, 2019.

**15. SUBSEQUENT EVENTS**

For the period from June 1, 2019 to July 11, 2019, the Company repurchased 25,000 common shares of the Company, which will be cancelled.